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Headquarters-subsidary relationships: impact of distance

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LIST OF ABBREVIATIONS

MNC: Multinational Company

HQ-S relationship: headquarters-subsidary relationship

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ABSTRACT

In the current area of globalization, Multinational Corporations (MNCs) continue to develop their business abroad. In parallel, the role of subsidiaries has significantly evolved and subsidiaries tend to be more autonomous than in the past, which makes complicated relationships between headquarters and subsidiaries. In this paper, the notions of relationships, cooperation and control are studied. Based on previous researchers, distance is defined and the emphasis is put on four dimensions: cultural, administrative, geographic and economic dimensions. Once these different notions are evaluated, the impact of distance over relationships is questioned. In the empirical part, six managers have been interviewed in person and by phone. They work for three different companies from the sector of mass consumption which have their headquarters in a European country. The main finding of this qualitative research is that distance is a reality. When headquarters use the right tools, distance does not impact relationships. However, means of control can affect relationships: subsidiaries can have the feeling not to be independent, that create frustration or even worst, conflicts. Additionally, the thesis enables to point an important factor which may have a negative impact on relationships: divergence in interest between the headquarters and its subsidiaries.

KEYWORDS: headquarters-subsidary relationships, Multinational Corporations, distance, cooperation, control

1. INTRODUCTION

Research is defined by Saunders et al. as “something that people undertake in order to find out things in a systematic way, thereby increasing their knowledge” (2012). In the attempt to propose a research to the reader, a precise plan has been designed and has been introduced in this chapter. First, the studied field is illustrated through trends and data coming from current research. Thereby, the background of the thesis is presented. Second, the choice of the topic is justified by research gaps that underline limits of previous studies. Then, the research question and objectives are exposed. They are common threads that enable the reader to properly understand in which direction the research is going. Therefore, the scope of the topic is presented and, finally, main key concepts are defined and the structure of the thesis is developed.

1.1. Background of the study

Globalization is defined as a dynamic process that “creates complex, interlinked ties and relations between economies, societies and countries” (Kollias & Paleologou, 2016). This process has led to changes in the business area: companies have evolved in parallel with globalization. Today, firms are not afraid to go abroad in order to leverage core competencies, acquire new resources and supplies, to develop partnerships with other companies, or even to create subsidiaries. For all companies which desire to grow, developing abroad is basically obligatory. Nomadism of companies through the world has become common (Zimmermann, 1995). Hence, 810 000 foreign subsidiaries were counted in 2012 -compared to 7 000 at the end of the 1960s- (Chavagneux, 2012) Additionally, the weight of subsidiaries in the worldwide business has drastically increased. For instance, value sales of those rose by 7.4 per cent in 2015, compared to the previous year. Between 1990 and 2015, this number increased sixfold. The number of employees working for subsidiaries is also significant: almost 80 000 employees, compared to 21 000 in 1990.

Table 1. FDI indicators, adapted from the table “Selected indicators of FDI and international production, 2015 and selected years” (UNCTAD, 2016).

Item	Value at current prices (Billions of dollars)				
	1990	2005-2007 (pre-crisis average)	2013	2014	2015
Sales of foreign affiliates	5 101	20 355	31 865	34 149 ^c	36 668 ^c
Value added (product) of foreign affiliates	1 074	4 720	7 030	7 419 ^c	7 903 ^c
Total assets of foreign affiliates	4 595	40 924	95 671	101 254 ^c	105 778 ^c
Exports of foreign affiliates	1 444	4 976	7 469	7 688 ^d	7 803 ^d
Employment by foreign affiliates (thousands)	21 454	49 565	72 239	76 821 ^c	79 505 ^c

^c Data for 2014 and 2015 are estimated based on a fixed-effects panel regression of each variable against outward stock and a lagged dependent variable for the period 1980-2012.

^d For 1998-2015, the share of exports of foreign affiliates in world exports in 1998 (33.3 per cent) was applied to obtain values. Data for 1995-1997 are based on a linear regression of exports of foreign affiliates against inward FDI stock for the period 1982-1994.

Today, subsidiaries have become important actors that count in business (Chang, 1993). Furthermore, the role of those has evolved in the last few decades. At the beginning of internationalization, multinational corporations considered subsidiaries as a means to be physically present in a market and to benefit from their preferential tariffs, trade concessions or cheaper labour costs. They were used by the headquarters as a means and they were not considered as independent units. However, subsidiaries began to be given a strategic role in the 1980s (Bartlett & Ghoshal, 1985). Ideally located next to customers and possible suppliers, subsidiaries have favorable access to market information that the headquarters does not have. Thereby, it is legitimate that affiliates gain autonomy and take their own decision on topics that concern them (Birkinshaw & Pedersen, 2009). In conclusion, Multinational Corporations have been considerably changed, due to an external factor: globalization and an internal factor: evolution of subsidiaries' roles.

In this context, relationships between headquarters and subsidiaries have become more complex, as noticed by Gupta & Govindarajan (1991). It seems that there is an evolution from a “top-down” situation where the headquarters has power and takes decisions for the whole company, to a more horizontal situation where subsidiaries are involved in the decisions. Like in all relationships, the two actors -the headquarters and its subsidiaries- might have different

opinions or approaches with regard to a particular issue, which can create tensions. As seen above, the role of the subsidiaries has considerably evolved and most of them struggle for more autonomy. However, Birkinshaw et al. note that subsidiaries consider first their local interests whereas headquarters give more importance to “MNC’s worldwide profitability” (2000). In order to have a global vision for the company and to ensure cohesion between geographically dispersed subsidiaries, a unit must give directives: the headquarters. It should be responsible for defining which objectives and practices should be monitored and communicated by the centre (headquarters) and which ones subsidiaries should control. Besides, a certain degree of control should be exercised by the headquarters over the subsidiaries in order to be sure that resources are well-allocated and that subsidiaries make sufficient efforts to achieve the goals of the MNC (Chang et al., 2009). However, several subsidiaries desire more autonomy of decision and action, that the headquarters is sometimes reluctant to give (Johnston & Menguc, 2007). This situation is likely to create tensions and alter HQ-S relationships. Gaps, defined as differences in terms of perception in the process of management between the headquarters and its subsidiaries, can create conflicts (Chini et al., 2005). In order to ensure objectives were reached by the subsidiaries, control or top-down management were considered as the best tools by the headquarters. However, the current economy based on international competition tends to encourage cooperation between the different units of a same company. In order to be competitive, subsidiaries do not hesitate to share information which allows them to learn from mistakes and good practices (Felzensztein & Gimmon, 2009).

1.2. Research questions and objectives

As seen previously, relationships between the headquarters and its subsidiaries are more complex than in the past: multiplication of MNCs and high competitiveness between them, globalization and evolution of subsidiary roles. Even if relationships are a topic which has already been studied, it is still relevant. Coherence is necessary between headquarters and subsidiaries; although they play different roles, they have a common goal: making profit. To ensure links between entities, the headquarters exerts a certain degree of control which depends on various factors that have been already studied: sector of activity or degree of product integration (Edwards & Rigobon, 2009); -size of MNCs and roles given by headquarters to subsidiaries (Mellahi et al., 2005); or even choices regarding types of subsidiaries-establishment of an affiliate on a greenfield, acquisition of a pre-existing company, or a

partnership with a local company that already exists (Taylor et al., 1996). All those factors have an impact on the way that MNCs are controlled. This study will focus on one factor: distance.

Thereby, the research question for this thesis is formulated as follows:

‘Does distance have an impact on headquarters-subsidary relationships?’

In other words, the question is to evaluate the importance of distance on HQ-S. relationships. Is it a constraint if headquarters acts differently with one subsidiary than with another? Cultural distance is doubtless the distance which comes to mind when distance is mentioned. Beechler & Yang noticed the importance of this parameter in the way that headquarters manage their subsidiaries: the bigger the cultural distance is between the parent country of the MNC and the host countries of the subsidiaries, the harder it is for the subsidiary to accept headquarters’ management practices (1994). In order to have a more complete image of distance, the thesis bases its research on studies developed by Ghemawat who distinguished four types of distance: cultural, administrative, geographic and economic (2001).

In order to answer the research question, two research objectives have been defined. They are steps that the researcher must climb in the theoretical and empirical parts.

Research objective 1: Examination of HQ-S. relationships in MNC context.

Research objective 2: Explanation of the notion of distance and evaluation of its role in relationships.

The first objective aims at studying different types of relationships HQ. and subsidiaries have. In particular, relationships based on control and cooperation will be studied. In a second time, it is necessary to describe precisely distance through its different dimensions. In order to reach these two objectives, the researcher can use theoretical findings. Then, he will be able to conduct an empirical study by gathering words, feelings, attitudes towards HQ-S. relationships and distance. In the case where the research question is answered positively, it may be also interesting to go further by questioning MNCs on alternatives they have thought or already set

up to cope with distance. It can also be wondered in what circumstances these alternatives are effective.

1.3. Delimitations of the study

Determining the boundaries of the thesis is necessary in order to be as precise as possible and because of the fact that covering a too large topic is not possible in terms of time and material. The choice has been made to demarcate the area of research by way of three aspects:

- Three European Multinational Corporations are studied.
- The empirical part focus on one sector: mass consumption.
- The notion of distance is approached from the dimensions of culture, administration, geography and economy.

Regarding the topic, most research focuses on a particular country of origin. For instance, Beddi and Mayrhofer studied the topic on French multinational corporations (2012). In their conclusions, they put forward the idea that it would be interesting to extend the study to other developed European countries, in order to know if managerial practices are specific to French MNCs. For the empirical part, a particular attention has been given to the home country of the MNC: three different countries have been studied; - France, Germany and Switzerland.

Furthermore, the sector in which MNCs evolve may have an impact on answers, as noticed by the researchers Edwards and Rigobon (2009). That is why it has been decided to focus on only one sector: mass consumption.

Lastly, the notion of distance is wide and relatively complex insofar as there are various definitions. Whereas some researchers reduce distance to two dimensions, some others are likely to define it as a multidimensional concept (Child et al., 2009). Amongst all studies, the framework developed by Ghemawat has been chosen as a guide to be followed in the thesis (2001). The relevance of defining distance regarding cultural, administrative, geographic and economic dimensions has already been approved by several researchers such as Beddi and Mayrhofer (2012).

1.4. Theoretical key concepts

This part allows for an overview of the main concepts. Those will be used in the thesis and be explained in more depth in the theoretical framework.

1.4.1. Multinational Corporations

Multinational corporations are defined as “any business that has productive activities in two or more countries” (Hill, 2008). In addition, an MNC is composed of a headquarters and subsidiaries located over different countries (Phatak, 1989). The headquarters, also named parent company or mother company controls more than 50% of voting stock of subsidiaries or daughter companies. If the definition given by Phatak is still valid, MNCs are not a uniform group insofar as they have different activities, sizes and they operate in various countries (Kostova, 1999). Since the world began converting into a global village, MNC must be “truly global” as well as “highly integrated” and therefore, they considerably evolve (Ferner, 1994). In this context, it is a perpetual challenge for the headquarters to provide a global direction for the whole company and to take decisions at a local level.

1.4.2. Headquarters-subsidiary relationships

Two elements, -people or organizations-, are in a relationship when they are linked each other. By nature, HQ-S. relationships, and consequently relationships between employees, evolve in time, are more or less tight. There are as many relations as there are individuals. Different facts can affect relationships, such as personality or the number of times people have already met (Fischer, 1999).

1.4.3. Control

Based on the definition of Lebas and Weigenstein, management control is “the process by which an organization ensures that its sub-units act in a coordinated and cooperative fashion, so that resources will be obtained and optimally allocated in order to achieve the organization’s goals” (1986). More broadly, control refers to the mechanism by which a person, a group or an organization determines or intentionally affects what another person, group or organization do and do not do (Tannenbaum, 1956).

1.4.4. Cooperation

Cooperation is defined by Anderson and Narus as complementary decisions and actions made by different actors in an interdependent relationship. Those actors co-operate or work together because they want to reach mutual objectives (1990). Networks play an important role insofar as there is an incredible basis of information. Regarding headquarters-subsidary relationships, they are more and more described in the literature as network-based relationships where cooperation between subsidiaries and headquarters is advocated (Mudambi et al., 2014). Currently, this kind of approach seems to be necessary for companies which want to stay competitive. Morgan and Hunt state that cooperation and networking within companies permit information and resources to be shared, as well as permitting exchange and eventually to be more efficient than market competitors (1994).

1.5. Structure of the thesis

The thesis is divided into three chapters that are sub-divided into subchapters. **Figure 1** enables the reader to follow the steps of the thesis.

In the first chapter, the topic is introduced. The goal is to map the topic out, so that the reader understands the background quickly, as well as the main objectives and the research questions that will be the central themes in the thesis. Similar topics have been produced in the past. Research gap allows to focus in on the topic, to insist on its singularity and therefore to legitimize it.

Chapter 2 consists of a literature review. Before exploring concepts of distance and relationships, it is important to understand them well. Current literature -theses, academic articles, books- from different fields allow information about what has already been done to be gathered. It helps to clarify the concepts, to consider their evolution in time, to underline some limits and therefore draw a current picture which can be analyzed in Chapter 4. For a better understanding, theories judged relevant for the topic will be explained. Theories are sometimes not approved by all researchers. In the case of a non-consensus, divergence in opinions will be expressed.

The third chapter provides an explanation of the methodology used in the study. First, the research design will be presented. Then, the sample and the way that empirical data have been collected are described in detail. Besides, the choice of using semi-structured interviews is explained and finally, validity and reliability of data collection are questioned. This approach has already been approved in previous studies, that is why it has been decided to use it as a basis.

The analysis of empirical data is presented and discussed in the fourth chapter. Following the research questions and the theoretical framework, the results are classified into four sections: culture, administrative, geographic and economic. For each section, perception of distance by respondents is evaluated and its impact on relationships is discussed. Besides, in the case where distance has an impact, some solutions set up by companies are presented.

Chapter 5 summarizes key findings, based on the empirical chapter. Conclusions and theoretical contributions of the study are developed. Lastly, managerial contributions are exposed, as well as limitations of the results. Suggestions are given to the reader for possible further research.

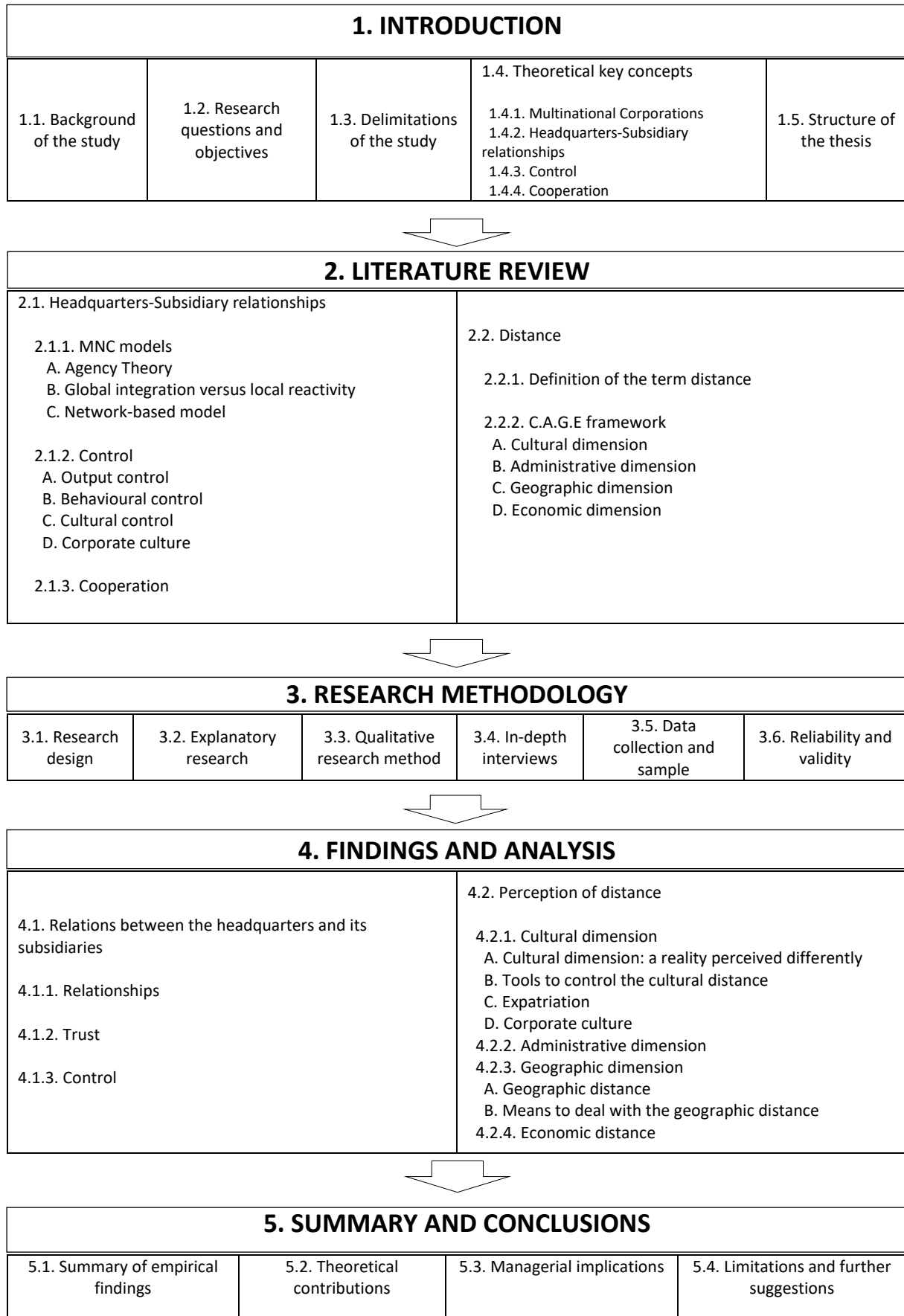


Figure 1. Structure of the study.

2. LITERATURE REVIEW

This part attempts to produce a better understanding of relationships between headquarters and their subsidiaries. Additionally, the concept of distance is studied through cultural, administrative, geographic and economic dimensions. The objective is to define clearly headquarters-subsidary relationships and the concept of distance in order to understand potential links between the two elements.

2.1. Headquarters-subsidary relationships

2.1.1. MNC models

In the field of International Management, several studies have focused on headquarters-subsidary relationships or, in other words, how headquarters control and coordinate units that are geographically dispersed. For instance, Kostova et al. noticed that 81 articles about HQ-S. relationships were published by the Journal of World Business between 1968 and 2015 (2016). It is possible to follow the evolution of this complex topic and to examine HQ-S. relationships from different angles. For instance, some scholars focused on coordination and control mechanisms, whereas others pay attention to subsidiaries which gain power and autonomy or to the role of expatriation. This topic is even more interesting that it continues to evolve. It is still not easy to apprehend this process because of the diversity of existing relationships (Mayrhofer, 2011). There is not only one definition of relationships but there are as many definitions as there are headquarters and subsidiaries. Each MNC has its own specificities and consequently its own relationships. Furthermore, the complexity is accentuated by the evolution of the role of subsidiaries. Underestimated in the past, it has been re-evaluated. Today, it is admitted that subsidiaries play a strategic role. They are physically located in specific environments and have de facto an access to knowledge that the headquarters does not have, creating a competitive advantage (Andersson. et al., 2002). Some subsidiaries have considered their ability to access knowledge and to provide new ideas as a real advantage. From this point of view, subsidiaries are no longer dependent subunits but companies which are responsible of their own destiny. Based on this fact, some of them understand that they can benefit from this position, take initiatives and build their own network by creating relations with local partners or even with other subsidiaries from the same MNC. For instance, some of subsidiaries have

decided to work together by mutualizing knowledge, thinking together face to common issues and sharing best practices (Gnyawali. et al., 2009). This so-called ‘subsidiary entrepreneurship’ makes more complex HQ-S. relationships.

To sum up this part, MNCs can choose the direction they want to follow. The first option is to consider subsidiaries as small replicas of the headquarters. This conception is based on the notion of ‘global firm’ which includes a global strategy. Whatever the country, subsidiaries work in the same way. However, reality is more complex and subsidiaries are located in countries with different cultures. As mentioned by Kostova & Roth, subsidiaries may be suffered from local pressure (2002). The neologism ‘glocalisation’ has been created by Ruigrok and Van Tulder to express the dilemma between globalization and localization (1995). Plus, subsidiaries need a certain degree of autonomy and are expected to become more independent towards the headquarters. This situation creates tensions and sometimes worse, conflicts. In extreme cases, headquarters consider their relations with subsidiaries as a ‘us versus them’ vision (Roth & Morrison, 1992).

More autonomy is generally asked by subsidiaries and it seems that this is good point for both headquarters and subsidiaries. In 2004, Mudambi and Navarra state that it is important to give freedom to subsidiaries; freedom means that subsidiaries are able to take decision locally. They also underline that it is important not to neglect “the many well documented benefits of strategically independent subsidiaries ... learning from local systems of innovation, using and integrating local resources and competencies, and generally introducing a heightened level of dynamism into the parent MNCs.” Following this remark, several studies have highlighted the high potential of subsidiaries for headquarters, not only in their ability to develop independently resources but also in their ability to expand their own activities. They can also be used as sources of opportunities and knowledge of the market where they do business (Andersson. et al., 2002). Although autonomy of subsidiaries is mainly considered as a good point, it makes more complex the situation for headquarters. Whatever the relationship is, trust must be the basis of relationships, otherwise one of the two actors (headquarters or subsidiaries) can take advantage of the situation (O’Donnell, 2000). This is the agency dilemma related to the agency theory.

A. Agency theory

In the 1960s-early 1970s, economists studied the concept of risk within groups and individuals. It appears that there is a risk-sharing problem when parties (groups or individuals) working

together, adopt a different attitude towards risk. This concept has been broadened to include the agency problem that arises in agency relationships. Such relationships are defined by Chang and Taylor as a contract between a principal (the headquarters) and an agent (a subsidiary) (1999). The agent is supposed to be on the behalf of the principal and must represent interests of the principal. To compensate, the principal has to delegate a certain degree of authority to the agent. They are two kinds of agency problems:

- a problem linked to divergence of interest: the principal and the agent may have different visions regarding a decision. When a compromise is not found, the agent can decide to take the decision by its own or to hide important information. Due to the geographic distance, it can be difficult and expensive for the principal to verify what the agent actually knows and if it follows the decisions (Fama, 1980).

- a problem related to risk: the principal and the agent might have a different opinion about risk. This difference can cause tensions (Eisenhardt, 1989).

In order to resolve agency problems, the principal can use different tools to limit potential self-interest behavior of the agent or can use incentives to encourage the agent to align with the objectives fixed by the headquarters (Jensen and Meckling, 1976).

In parallel with the evolution of subsidiary roles, a shift has recently occurred regarding HQ-S relationships: roles evolve from hierarchical structures to more federal constructions (Buckley & Ghauri, 2004). Subsidiaries become independent and autonomous units. They gain legitimacy in decisions insofar as they have access to resources and specific knowledge that the headquarters does not have. Inversely, as the agency theory anticipates, subsidiary interests may not be always aligned with headquarters interests. This is the reason why headquarters keep a right of veto and exert a certain degree of control to maintain cohesion within the organization (Cantwell & Mudambi, 2005). Regarding the amount of control necessary in such organizations, headquarters and subsidiaries often disagree. This ambivalent situation has been described as a “mixed-motive dyad” which “frequently arises because the subsidiary requires or desires a degree of autonomy of action that the HQ is not always disposed to concede” (Johnston & Menguc, 2007).

B. Global integration versus local reactivity

According to Doz and Prahalad MNCs must deal with different and often conflicting signals, signals that exist at the global and local levels. The two authors defined global integration as “a methodically centralized management of geographically dispersed activities” whereas local reactivity is considered as “autonomous decisions of subsidiaries on the resource allocation following the market demand or competitive pressure” (1984). In other words, global requirements such as transport and communication evolution, international market rules or homogenization in terms of consumer preferences constraint the firms to adapt globally. Simultaneously, companies must respect specific rules and demands at the local level, obstacles that constraint companies to adapt their products. The two terms “global integration” and “local reactivity” refers to centralized and decentralized approaches described by Malnight (1996). In a decentralized model, each national market is different and affiliates are the best places to provide resources and knowledge from the country to the headquarters; that is why resources, staff and decisions should be controlled by them. Inversely, the headquarters takes decisions for subsidiaries in a centralized model. However, this approach seems a little bit too simple today and literature goes beyond the traditional dyadic global integration versus local reactivity. The local and the global are different but they evolve within common networks. Latour gives a particular attention to those common points by explaining that global and local ‘offer points of view on networks that are by nature neither local or global, but are more or less connected’ (1993).

C. Network-based model

The network-based model uses concepts of global integration and local reactivity. Indeed, through this model, the objective is to integrate subsidiary activities within a unique organization as well as adapting subsidiary activities regarding their own specificities and the local environment (Allouche & Huault, 1998). Therefore, Evans and Doz compare MNCs to pendulums which continuously swing from one point (to respect the global integration) to another point (following the local reactivity). For researchers, it would be a mistake to consider these two points or tensions as threats. Conversely, MNCs must deal with these tensions and find the perfect position between them. Despite their apparent complexity, they are real opportunities. Hence, dualities “should be viewed not as threats to consistency and coherence,

but as opportunities for creative organization development, for gaining competitive advantage, for organizational learning and renewal” (Evans & Doz, 1989).

The network-based model implies a complexification of HQ-S. relationships, compared to the past (Doz & Prahalad, 1991). Such relationships are dynamic and constantly moving. Indeed, the headquarters does not take all the decisions for its subsidiaries. Inversely, it does not mean that subsidiaries have the whole control on their activities. Each relationship is unique and the headquarters must find the most appropriate way to work with each of its subsidiaries. The network model bases on four dimensions: multidimensionality, heterogeneity, diversity and interdependency. Subsidiaries are different each other and have their own characteristics, that is why they cannot be treated similarly. Barlett & Ghoshal insist on the ‘United State syndrome’ where the headquarters treats the subsidiaries alike, as if they were similar (1991). Besides, MNCs are heterogenic because they do business in different geographic markets and have various activities. Additionally, each subsidiary is considered to evolve in a unique environment and consequently has its own development regarding this environment (Birkinshaw. et al., 1998). With this model, companies are likely to be responsible of one specialization. Finally, activities being distributed overall in the world, subsidiaries are dependent from each other.

The three models and their main characteristics are presented in the table below.

Table 2. Comparison between the different models of headquarters-subsidiary relationships (based on Malnight Table, 1996).

	Centralized model	Decentralized model	Network-based model
Global integration/local reactivity	Strong global integration Weak local reactivity	Weak global integration Strong local reactivity	Strong global integration Strong local reactivity
Market orientation (strategy)	Strategy decided by the headquarters, the subsidiaries are completely dependent	International operations considered as independent activities	Strategy is integrated globally with differentiated operations by dispersed operations

Resources (where are they localized ?)	Located in the headquarters that transmits to the subsidiaries	Decentralized and auto-sufficient at the national level	Distributed, specialized and interdependent resources and abilities
Organization (how are the activities linked?)	Formal headquarters-subsidiaries relationships	Informal headquarters-subsidiaries relationships Use of financial control	Complex coordination and cooperation process within an environment where the decision making is shared
Principal contributions	Hierarchy Ethnocentrism Global company	Multinational company Polycentrism	Transnationalism Geocentrism/Regiocentrism

2.1.2. Control

With planning, organizing, leading and staffing, control is traditionally considered as one of the five fundamental functions (Fayol, 1949). This function gains importance in the context of globalization and is a serious topic for multinational companies. In spite of being old, the definition given by Lebas and Weigenstein seems still relevant. They define control as “the process by which an organization ensures that its sub-units act in a coordinated and cooperative fashion, so that resources will be obtained and optimally allocated in order to achieve the organization’s goals” (1986). Besides, Holmström insists on the necessity for headquarters to exert control in order to be aware of information their subsidiaries detain (1979). Such a behavior enables to limit risks for subsidiaries to act in their own interests. Through control the headquarters specify their subsidiaries what must be done, or not. A double meaning can be given to the term “control”. It means “to check” if the objectives fixed by the mother company have been well achieved. This type of control is exerted by the cost controller and is relatively limited insofar as it is reduced to a reactive mechanism that is used once results are visible. The second meaning is “to keep control” which considers control as a proactive and preventive mechanism insofar it englobes all regulations decided by managers to reach objectives.

Control is a complex concept which evolves in the time. Primarily, researchers defined control as a single concept but recent scholarships tend to considered there are multiple forms of control (Burton et al., 2002). Control can be carried out through two ways: personal and impersonal. In a personal way, the application of control is based on human interactions. For instance, expatriates are a form of personal control by supervising directly the employees of subsidiaries. Inversely, impersonal control is realized through more formal rules which are often written in manuals (Ferner, 2000). These two types of control are likely to be related to the size of the organization and the nationality of the company. Child states that personal control is more appropriate for small firms whereas impersonal control is more applied in larger companies (1984). Regarding the criteria of nationality, it has been studied by Harzing. For example, she considered impersonal control as a feature in French firms and personal control a feature for German and Britain companies (1999). Other scholars focused more on the content of control and classified control into three different types: output control, behavioural control and cultural control (Baliga & Jaeger, 1984). Based on this distinction, Geringer and Herbert proposed a more complete definition of control which is “the process by which one entity influences, to varying degrees, the behaviour and output of another entity through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanisms” (1989). The three types of control are explained in details below.

A. Output control

Output control is a combination of “management-initiated mechanisms that are designed to regulate organizational activities to ensure their performance to established expectations” (Genturck & Aulakh, 1995). It can be applied if the headquarters is able to create reliable measures to analyze the performance of subsidiaries, without hindering subsidiary’s activities (Ouchi, 1977; 1979). The main measures are market shares, productivity, growth, profitability, customer satisfaction, employee commitment and impact on environment. Output control bases on formal procedures in which subsidiaries have a limited freedom. For instance, the headquarters specifies the resources needed for subsidiaries as well as the performances subsidiaries must achieve. When the expected objectives are not reached, the headquarters can intervene in subsidiary business and take corrective measures towards subsidiaries. Inversely, rewards are applied for encouraging deserving employees. The output control measures must be adapted regarding the size of the company and the environment which constantly evolves and is more and more complex (Doz & Prahalad, 1991). However, a number of scholars argue

that this formal control may not be the mechanism that suits the best to the global business environment. Using subtle and informal mechanism would be more efficient for dealing with pressure of global demand and local responsiveness (Ferner, 2003). This mode of control is based on measureable standards or well-defined criteria rather than personal interactions that means that a large number of expatriates is not required.

B. Behavioural control

This type of control is an alternative to output control (Paik & Sohn, 2004). Behavior-based control can be viewed as a means for the headquarters to control subsidiaries by monitoring the behaviour of subsidiary's employees. For Ouchi and Maguire, this is a synonymous for personal surveillance that allows headquarters to give direction to subordinates (1975). This control focus more on the activities and decision process that enable to reach desired outcomes rather than the outputs.

In such a control, expatriates can play an important role due to the knowledges they have on the company at the global level and their commitment to headquarters' goals. They are usually familiar with mother company's procedures and objectives. Hence, they may be good spokespeople of the headquarters (Doz & Prahalad, 1991). However, the use of expatriates is not always effective. It depends on different factors such as expatriate's ability to manage foreign subsidiaries and to have cross cultural competency and due to this reason, the behavior control is the mechanism that is the least used by MNC (Chang & Taylor, 1999).

C. Cultural control

Cultural control doubtless beneficiaries less attention than the two other control types. However, it is very interesting to say some words about it. This informal control is based in the internalized compliance rather than external constraints. According to Jaeger and Baliga, culture-based control relies on "internationalization of and moral commitment to the norms, values, objectives and 'ways of doing things' of the organization" (1985). The objective for the headquarters is to control subordinates by using soft means. One of this means is to focus on mother firm's values and norms and make sure that employees follow well the company values and norms. If subordinates agree with those, they would control themselves.

Companies can rely on expatriates who are able to transmit the vision that the headquarters wants for each subsidiary. Thanks to international exchange, expatriates benefit from intensive trainings, a large network and absorb the firm's best practices that they will spread in a second time. To take up the image developed by Harzing, they are similar to "bumblebees, flying from plant to plant to spread the corporate parent's norms and value systems" (2001). It is important to note that the three control types can be applied distinctly or be combined, as suggests Chang.

In conclusion, the three models are distinct and are used for different reasons. In contrast to centralized and decentralized models, the network-based model is characterized by the use of informal control tools. At this point, formal tools are not sufficient enough and must be completed by subtler mechanisms (Martinez & Jarillo, 1991). Thus, control by socialization and network should be added. This control "includes mechanisms such as participation of subsidiary managers in international task forces and international training programs, informal communication with other organizational sub-units, and socialization of subsidiary managers" (Harzing & Noorderhaven, 2006). Social control means that the workers fit with company values. This process can take time and the use of expatriates is a means to achieve this goal. He enables to diffuse firm values and culture. As seen previously, subsidiaries tend to be more autonomous and to create relations not only with the headquarters but also with the other subsidiaries. In this context, it becomes more difficult for the headquarters to have the control on the subsidiaries. According to O'Donnell, information is shared within the different company entities thanks to socialization mechanisms (2000).

Thus, output control can be used to urge subsidiary managers to achieve goals and at the same time behavioural control could enable to integrate better subsidiary strategy to global strategies (Chang et al, 2009). Next to cultural control, corporate culture can also play an important role. It seems relevant to say some words on this concept.

D. Corporate culture

Corporate culture is chosen to be included in the control part because it may be a form of control to a certain extent. The term of culture will be developed more in details in the second part of the thesis. However, it is necessary to understand what is culture to better apprehend corporate culture. In 1985, Schein defined culture as "a pattern of basic assumptions-invented, discovered

or developed by a given group” face to a problem. When the same answer is given several times and succeed in resolving problems, this answer becomes a method which is progressively integrated to the corporate culture. Once the answer is successful enough, it can be taught to the new members as “the correct way to perceive, think and feel in relation to those problems”. Hence, those solutions enable to give strategy or sense to a company. The solutions or ideas as components of this corporate culture can be expressed any member of the organization, whatever the job he has and are consequently reflect the values and perceptions members of an organization have. However, in the reality, the vision or company strategy is usually given by the founder of the firm and are usually linked to strategic operational choices this founder has. Scholz affirms that each company has its culture that is closely linked to its strategy (1987). This is the role of the leader to spread the culture to the inferior levels or to makes it involved in contact with employees. Lots of MNCs are convinced that they need a common base composed of values to reach some consistency in behavior within subsidiaries. Thus, an increasing number of MNCs propose a set of values that constitutes the DNA or blueprint of the company and is similar to a Conduct Code that employees should respect. In practice, the values are usually very close from a company to another through concepts like integrity, honesty, sincerity and excellence (Frynas & Mallahi, 2011). These global values enable to reassure stakeholders as well as sticking the mother’s and daughter’s companies by developing a common vision of what should be the company.

In term of culture, company face to different challenges. First, a company culture must be defined. Second, it has to be spread and adopted by all the employees. There are different intensity levels of culture. According to Schein, culture is not simply something written in Codes of Conduct (1985). The concept is impactful if firms really do what they claim. Harrison and Stokes go further by defining company culture as the personality of the firm and what differentiates it from the other competitors (1992).

To sum-up with this part, a certain degree of control is necessary to coordinate units that that are geographically dispersed. This is usually a real challenge for managers who have to deal with resistance from subsidiaries. They must inculcate rules, processes and management systems that are effective for the company. Those elements usually constraint behavior for the whole firm. However, managers do not forget that culture differences exist and that differences in work and norms are a reality. In the second part of the thesis dedicated to the CAGE model,

the culture aspect will be better explained. Thus, the challenge of the manager is to respect different cultures as well as being sure that expected norms are followed and behaviors of employees all around the world are governed by a global mindset. This global mindset of the MNC is composed of beliefs, values and practices that must match with local beliefs, values and practices. The role of the manager is to be sure that this relations works or at least that there is no clash. This conflict often arises when 'individuals' perceptions of goals, resources, and power and such perceptions may differ greatly among individuals' (Avruch, 1998). Cultural miscommunication and misunderstanding often cause frictions or conflict and must be taken into consideration by managers.

2.1.3. Cooperation

In spite of spending time and energy to find the right balance between autonomy and control, MNCs could focus on cooperation. Cooperation is defined as "working together towards a common end" (Funk & Wagnall's standard desk dictionary). To this definition, Birkinshaw et al. add that it is "based on shared interests"; it means that cooperation between the headquarters and its subsidiaries is possible only if they have the same interests and that ideas or decisions do not come only from the top (the headquarters) (2000). Benefits of cooperation are several. For instance, mutualizing knowledge and information enable to learn mistakes from the others and not to replicate the same. According to Morgan & Hunt, cooperation is a sine qua non condition to be an effective competitor in the current economy (1994). It is important to note the importance of trust in cooperation. Indeed, in the contemporary MNCs, the success of operations depends on a large extent on trust between the headquarters and the subsidiaries (Galford & Seibold Drapeau, 2003). Trust is defined as willingness of an individual or a group to be "vulnerable" face to another individual/group which takes decisions for both. The group takes decisions regarding common interests and do not have to control on the other group (Mayer et al., 2005).

2.2. Distance

Researchers from the economic sphere are the first ones to give interest to the notion of distance. Through study of trade within European countries, Beckerman insisted on the importance of distance. Thus, European trade tends to be concentrated on a few countries due to transport

costs but also because of other factors, such as the ability of access easily to the harbor and railway facilities (1956). Twenty years later, researches from other fields and especially from International Business re-consider the concept of distance and give it a central role in the process of firm internationalization (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977).

2.2.1. Definition of the term distance

Etymologically, the word “distance” is derived from the Latin word *distare* which means “stand apart”. Hence, distance is “what separates two points by a certain amount of space” and what can be evaluated through objective, subjective and physical measurements (Prime. et al., 2009). Based on this definition, a debate has arisen regarding the measures which should be taken for the evaluation of distance but, still nowadays, there is no consensus about the definition of distance and apprehending this concept is not easy (Angué & Mayrhofer, 2008). First, instead of defining distance precisely, the notion is often defined comparatively to other words such as “difference” (Bello. et al., 2003), “unfamiliarity” (Kim & Hwang, 1992) or “dissimilarities” (Shoham & Albaum, 1995). Second, a considerable number of researchers have decided to define distance in regards to its dimensions. However there is no agreement about the number of dimensions which need to be taken in order to identify well distance and a significant number of studies preferred to reduce distance to cultural dimension or psychic dimension (Moalla, 2011). The definition has evolved in the time and the latest researches are likely to consider distance as a multidimensional concept (Child. et al., 2009). It has been decided to follow this approach in the thesis through the C.A.G.E framework.

2.2.2. C.A.G.E framework

Some authors defend the idea that the “world is flat”, to quote the economist Friedman. In other words, the development of technologies would enable to throw off the barriers (physical, economic and cultural) between countries. The world would evolve from a vertical system to a more horizontal system and the concept of distance would not be a challenge anymore. Contrary to this thought, Ghemawat thinks that the world can be viewed semi-global insofar where there are differences between countries and these differences still matters (2007). He bases his theory on the “10% rule” to explain why the world is not global yet. He uses various elements such as immigrants’, tourists’, telephone calls’ and direct investments’ numbers, and shows that the

level of internationalization for these elements is inferior to 10 percent. World is barely globalized and differences amongst countries are still real. For him, a mistake would be to underestimate these differences. A significant number of companies would do this mistake that leads to slow their internationalization process. Based on this consideration and the awareness that they are few tools to estimate distance, Ghemawat writes an article in which he divides distance between four different dimensions: cultural, administrative, geographic and economic (2001). Some of these dimensions are completely apparent, whereas some others are more subtle and not immediately visible. The so-called C.A.G.E model, one of the first frameworks studying distance through a multidimensional approach, was born.

A. Cultural dimension

Amongst the four dimensions of distance described by Ghemawat, the cultural distance is the starting point of the C.A.G.E framework as it is obviously the most studied dimension in the literature (Angué & Mayrhofer, 2010). This dimension measures the discrepancy or the differences of cultural values between two countries. Before going any further, it seems necessary to define well what culture is in order to enhance the understanding of cultural distance.

Considered as the ‘software of mind’, culture is a concept that is mainly used by everybody but it remains doubtlessly one of the hardest element to apprehend (Hofstede, 2001). The complexity of defining culture stems partly on the fact that the term has different meanings and not only one fixed designation. Thus, a compilation of 164 different definitions for the word culture has been recorded in 1952 by two American anthropologists, Kroeber and Kluckhohn. Still in the early 1990s, according to Apte, there was no agreement among anthropologists regarding its nature and remains a complex concept to define nowadays (1994). The first reason is that the meaning continuously evolved, influenced by its interaction with different people or due to geopolitical factors like migration, trade and invasion (Erez & Gati, 2004). Culture is not a concept which is fixed on a time. Inversely, culture at a certain point is not the same than the one at another point. The second reason is that culture is a concept that demands effort and needs to be supported by several generations in order to keep one meaning. House et al. consider culture as “shared motives, values, beliefs, and interpretations or meanings of significant events that result from common experiences of members or collectives that are transmitted across

generations” (2002). Sperber used the image of epidemic: when an idea is useful for a group of people and is adopted by these people, it becomes an element of culture (1996). Thirdly, culture is composed of lots of variables which make its comprehension more complex.

Culture is a notion which affects everyone, thus it is relatively easy to obtain information about it during the interviews. In particular, respondents speak about differences regarding languages, behaviours (passive versus pro-active attitude) and way how to deal with working hours. Hofstede insists on the fact that culture enables to ‘distinguished the members of one group or category of people from another’ (1991). The researcher interviewed managers for six years in 57 different countries to elaborate his first study. The six interviews show that each society has its own values and rules which are taught to its inhabitants. It is also interesting to see that culture also depends on other factors: values taught by family and time spent abroad for travelling or working. Distance is still a reality but it is not really considered as a problem by interviews. It becomes harder to draw the contours of a group because people belong to different groups and

Nonetheless, researchers have tried to give a definition. Trompenaars & Hampden-Turner note that “culture is the way people solve problems” (2012). Faced to a same problem, people give different answers. Through this definition, it is understood that culture is the way how people solve an issue and this manner enables to define people as belonging to a same group, sharing a common culture. However, it addresses how culture manifests itself but not the concept itself. Other researchers attempted to define culture by its components. This is the case of Francesco and Gold who mention that “culture includes everything that people have, think and do as members of a society” (1998). Culture would be composed of common elements shared by a group of people. Ghemawat insists on the fact that the common attributes are sustained in the time thanks to strong interactions between people that make culture alive (2007). States should not be responsible of the continuity of the culture through laws; people would have this responsibility.

Following this definition, common attributes can be gathered within two parts: the visible part and the hidden part. These parts are explained by Hall in 1976 through the iceberg analogy. The small part is composed of all aspects of culture which are visible (above the water), whereas the second larger part is hidden beneath the surface (below the water). The small part which can be physically seen is also called external or conscious part. It includes behaviors and some beliefs that are explicitly learned within a group of people and are easy to apprehend. The other

part is the internal unconscious part composed of values, deeper beliefs, motivation, and gender roles to name the main patterns. They are not visible, that make them more difficult to apprehend. Schein goes further by classifying the components of culture into three layers: the observable artifacts, the values and the underlying assumptions. Artifacts embrace observable elements which give precious information about audible and visible behavior patterns like language, food, music or dress code. These elements are relatively easy to obtain because, as the “tip of the iceberg”, they can be seen by everybody. They enable to understand how a group behaves but not why the group behaves in a certain manner. The second level is composed of values that allow to analyze why member of a group behave the manner they do due to the fact that values govern behaviors. However, values are more difficult to obtain directly and interview with group members are needed to discover the values. To go farther in the comprehension of culture, it is an absolutely necessary to determine the deepest layer that represents the foundation of the culture: underlying assumptions are totally unconscious and determine how members feel, think and perceive (Schein, 1985).

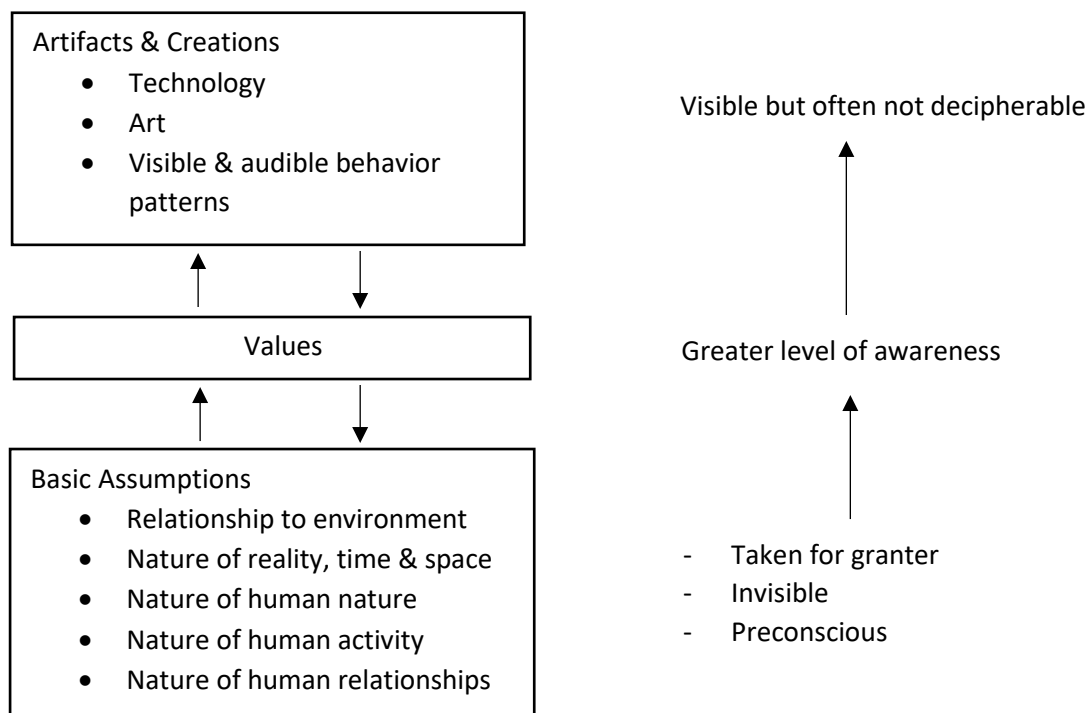


Figure 2. The levels of culture and their interactions (based on Edward, 1976).

In the international business literature, a great attention has been given to cultural distance. Amongst the frameworks studying national differences, the most comprehensive and influential research has been developed by Hofstede. The Dutch psychologist defines culture as “the collective programming of the mind which distinguished the members of one group or category of people from another” (1991). Hence, the cultural distance concept is measured at the country level because “it is defined as the degree to which cultural values in one country are different from those in another country” (Sousa & Bradley, 2006). The objective of Hofstede is to identify culture dimensions shared by all the countries and then, measure them thanks to impartial variables. Each dimension is scored and the studied country is positioned relatively to the other countries. Hofstede based his conclusions on a study he conducted between 1967 and 1973. He interviewed international managers from 57 different countries who worked in the international company International Business Machines (IBM). The researcher assumes that all societies face common problems but give different answers, depending on the culture managers belong to. In 1991, he identified four dimensions or orientations defined as “aspect of a culture that can be measured relatively to other cultures”: the power orientation, the uncertainty orientation, the goal orientation (individualism vs collectivism) and the social orientation (masculinity vs femininity). For each of those dimensions, a score is given per country. Based exclusively on the studies developed by Hofstede, the four dimensions are below explained more in details.

Power respect vs power tolerance

Power distance is doubtlessly the most important dimension in Hofstede’s framework. It is defined as the “extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally” (Hofstede, 1991). Thus, the power distance designs the approach each country has towards power, but more than the level of power distribution in a particular culture, this is rather the way how people feel about power which is analyzed. Power orientation bases on inequality. Inequality is a principle which exists in every society and justifies that some people have more power than others. However, faced to this inequality, people do not behave similarly towards power. Indeed, some of them accept power easily and submit to the power and authority of their managers because of the simple supposition that higher-level positions give the necessary legitimacy to managers to be obeyed; this is the *power respect*. In such a situation, junior employees respect senior employees due to their age and time they spent in the company. Khatri notes that this situation exists

because top managers take control and give little space to employees for expressing their view but also because these employees agree with that (2009). For the author, employees do not want to participate to decisions, do not ask questions and therefore adopt a submissive attitude. In a company where the power respect prevails, decisions are taken fast by a minority of people. Nevertheless, decision may be weak because managers know that they will be applied by other employees; they do not need to defend their opinions, that may lead to unethical behaviors (Ghosh, 2011). Inversely, countries with a small-power distance are characterized by a more consultative decision style. Subordinates obey manager decisions not because the manager has a higher managerial position but because they think he takes the right decision and he acts in their own self-interest. In societies characterized by *power tolerance*, manager power is attenuated and subordinates dare to consult their manager more frequently. On the Hofstede scale, it is important to note that the score does not mean that the culture approach is better or worse in one country compared to another. The objective is simply to demonstrate that countries have different priorities or preferences when they face a same issue.

Hofstede gives different factors explaining the various degrees of power distance. For instance, education plays an important role. Influenced by the environment, culture or mental software is acquired early by children. In a family that gives importance to power respect, the authority is usually strong and hierarchy amongst the members of the family are a reality. Conversely, a family with power tolerance gives more freedom to children who have space to affirm their personality. Hofstede makes also a correlation between the language and the concept of power distance. Hence, the population from countries using Romance as a language are used to obey to one authority. For this population, the distance power is strong. Inversely, the distance is smaller within countries using a Germanic language since the power used to be held by several local lords and not by only one person.

Table 3. Ten differences between small- and large- power distance societies (based on Hofstede, 1991).

Small power distance	Large power distance
-use of power should be legitimate and is subject to criteria of good and evil	-power is a basic fact of society antedating good or evil: its legitimacy is irrelevant
-parents treat children as equals	-parents teach children obedience
-older people are neither respected nor feared	-older people are both respected and feared
-student-centered education	-teacher-centered education
-hierarchy means inequality of roles, established for convenience	-hierarchy means existential inequality
-subordinates expect to be consulted	-subordinates expect to be told what to do
-pluralist governments based on majority vote and changed peacefully	-autocratic governments based on co-optation and changed by revolution
-corruption rare; scandals and political careers	-corruption frequent; scandals are covered up
-income distribution in society rather even	-income distribution in society very uneven
-religions stressing equality of believers	-religions with a hierarchy of priests

Social orientation: Individualism vs Collectivism

The second dimension identified by Hofstede is the social orientation. It is defined as the relative importance given by a person to another individual or a group of people. Some societies are said *individualistic* insofar the pronoun “I” comes before the “we”. They encourage individuals to express themselves and to consider their career interests as a priority. Individual’s rights, recognition of personal achievement and initiative are important. People often have close ties with their immediate family. Additionally, individualists’ motivation is high when they have different choices (Iyengar & Lepper, 1999). Such people also like to be independent and to feel free to express their own creativity. The opposite behavior is the *collective* one. In this approach, group’s or company’s interests come first. In such a society, people usually manage to create different social networks which include coworkers, extended families as well as friends. They shape their attitudes on group norms and a huge importance to relationships. Thus, they prefer to resolve conflict through soft methods that do not damage ties they have with others, contrary to individualists (Ohbuchi et al., 1999).

In Hofstede's studies, social orientation and power orientation were decided to be separated but are correlated: data show that lower power distance is associated with individualism, whereas collectivism is linked to high power distance.

Table 4. Ten differences between collectivist and individualist societies (based on Hofstede, 1991).

Individualism	Collectivism
-everyone is supposed to take of him - or herself and his or her immediate family only	-people are born into extended families or clans which protect them in exchange for loyalty
- 'I' - consciousness	- 'We' - consciousness
-right of privacy	-stress on belonging
-speaking one's mind is healthy	-harmony should always be maintained
-others classified as individuals	-others classified as in-group or out-group
-personal opinion expected: one person one vote	-opinions and votes predetermined by in-group
-transgression of norms leads to guilt feelings	-transgression of norms leads to shame feelings
-languages in which the word 'I' is indispensable	-languages in which the word 'I' is avoided
-purpose of education is learning how to learn	-purpose of education is learning how to do
-task prevails over relationship	-relationship prevails over task

Uncertainty acceptance vs uncertainty avoidance

Faced with uncertain and ambiguous situations, societies do not act the same way. Some cultures characterized by *uncertainty acceptance* can deal with unknown situations different from usual, unexpected events they consider as new future challenges and opportunities to grow up. They are often open to changes and may have opinions which differ from the ones they used to. They are usually more contemplative and phlegmatic. Guidelines are more appreciated than laws and rules. On the contrary, other cultures avoid ambiguity as far as possible and seek shelter within routine and overbearing structures. Human beings define what normality is and by definition, they do not like uncomfortable situations where their perception of normality could be crippled (Atkins, 2000). Such people usually disapprove deviant opinions and believe that there is only one Truth. Characterized by *uncertainty avoidance*, they usually are emotional.

Table 5. Ten differences between weak- and strong- uncertainty avoidance societies (based on Hofstede, 1991).

Weak uncertainty avoidance	Strong uncertainty avoidance
-the uncertainty inherent in life is accepted and each day is taken as it comes	-the uncertainty inherent life is felt as a continuous threat that must be fought
-ease, lower stress, self-control, low anxiety	-higher stress, emotionality, anxiety, neuroticism
-higher scores on subjective health and well-being	-lower scores on subjective health and well-being
-tolerance of deviant persons and ideas: what is different is curious	-intolerance of deviant persons and ideas: what is different is dangerous
-comfortable with ambiguity and chaos	-need for clarity and structure
-teachers may say ‘I don’t know’	-teachers supposed to have all the answers
-changing jobs no problem	-staying in jobs even if disliked
-dislike of rules – written or unwritten	-emotional need for rules-even if not obeyed
-in politics, citizens feel and are competent towards authorities	-in politics, citizens feel and are incompetent towards authorities
-in religion, philosophy and science: relativism and empiricism	-in religion, philosophy and science: belief in ultimate truths and grand theories

Masculinity vs Femininity

This dimension, based on distinction between sexes, is fundamental in all societies. It enables to separate ‘tough’ masculine societies from ‘tender’ feminine societies (Anbari et al, 2009). A society that is driven by competition, material possession and achievement in workplaces as well as in the organizational life is said to adopt an *aggressive goal behavior*. On the contrary, a low score on this dimension shows the society adopts a *passive goal behavior*; in other words it takes care more on social relationships and quality of life. These two behaviors are related to gender question and aim at measuring ‘the distribution of emotional roles between the genders’, according to Hofstede (2011). Hence, societies with aggressive goal behavior and values such as ambition, power and assertiveness tend to be masculine. In such a society, ambition and competition are likely to be higher. Inversely, societies adopting a passive goal behavior encourage values like emphasis on human relationships; they have fewer differences between the two genders. It can be interesting to note that taboos about the social orientation often exist in masculine cultures (Hofstede et al., 1998). The masculinity-femininity dimension is still

touchy in some cultures and cannot be discussed without pain. Taboos are the proof that this dimension is important and is not fixed yet.

Table 6. Ten differences between feminine and masculine societies (based on Hofstede, 1991).

Feminity	Masculinity
-minimum emotional and social role differentiation between the genders	-maximum emotional and social role differentiation between the genders
-men and women should be modest and caring	-men should be and women may be assertive and ambitious
-balance between family and work	-work prevails over family
-sympathy for the weak	-admiration for the strong
-both fathers and mothers deal with facts and feelings	-fathers deal with facts, mothers with feelings
-both boys and girls may cry but neither should fight	-girls cry, boys don't; boys should fight back, girls shouldn't fight
-mothers decide on number of children	-fathers decide on family size
-many women in elected political positions	-few women in elected political positions
-religion focuses on fellow human beings	-religion focuses on God or gods
-matter-of-fact attitudes about sexuality; sex is a way of relating	-moralistic attitudes about sexuality; sex is a way of performing

In 2010, Hofstede added two new dimensions which are time orientation (long term vs short term) and acceptance orientation (indulgence vs restraint).

Short-term vs long-term orientation

This value dimension was originally studied by Bond within 23 countries (2004). Named 'Confucian work dynamism', it describes time orientation that societies have. In 1991, this dimension was adopted by Hofstede and renamed respectively short-term and long term orientation. Time orientation is the extent to which people of a culture have a *long-term* or a *short-term outlook* concerning work, life or other aspects of society. Normative members with a low score are likely to focus on the past and the present. For example, they struggle for maintaining traditions and respect well social obligations (Dissanayake, D.M.S.B. et al, 2015).

They usually take time to build a relation and consider time as a circular notion. On the contrary, some cultures give more importance to hard work and perseverance amongst other values. They view time as linear and behave in a manner to prepare actively for the future. Some other people adopt an intermediate time orientation. In 2007, Minkov adds an ecological dimension. According to him, there is a correlation between religion and time orientation. Thus, religious societies would be steady and reluctant to change.

Table 7. Ten differences between short- and long- term-oriented societies (based on Hofstede, 2010).

Short-term orientation	Long-term orientation
-most important events in life occurred in the past or take place now	-most important events in life occur in the future
-personal steadiness and stability: a good person always	-a good person adapts to the circumstances
-there are universal guidelines about what is good and evil	-what is good and evil depends upon the circumstances
-traditions are sacrosanct	-traditions are adaptable to changed circumstances
-family life guided by imperatives	-family life guided by shared imperatives
-supposed to be proud of one's country	-trying to learn from other countries
-service to others is an important goal	-thrift and perseverance are important goals
-social spending and consumption	-large savings quote, funds available for investment
-students attribute success and failure to luck	-students attribute success to effort and failure to lack of effort
-slow no economic growth of poor countries	-fast economic growth of countries up till a level of prosperity

Indulgence vs restraint

This sixth dimension is complementary to short-term vs long-term orientation insofar as it focuses on aspects known as “happiness research” by literature; in other words, it evaluates the ability of a society to satisfy personal desires and immediate needs. An indulgent society is defined as a society based on “free gratification of basic and natural human desires” (Hofstede, 2011). This trend prevails in America and Western Europe for instance. People living in such a society have the feeling to control their emotions and life by themselves. When a society

controls this gratification through strict regulations, it is called a restraint society (Eastern Europe and Asia for example). Like the short-term vs long-term orientation, there is a middle position that can be taken. This is the case for Mediterranean Europe. This sixth dimension was not widely adopted insofar as it was provided by less data and was studied in few countries. Plus, the dimension based largely on evaluating the degree of happiness societies feel. Happiness is a subjective notion and each country express this feeling differently; hence it is hard to compare happiness between countries.

Table 8. Ten differences between indulgent and restrained societies (based on Hofstede, 2010).

Indulgence	Restrained
-higher percentage of people declaring themselves very happy	-fewer very happy people
-a perception of personal life control	-a perception of helplessness: what happens to me is not my own doing
-freedom of speech seen as important	-freedom of speech is not primary concern
-higher importance of leisure	-lower importance of leisure
-more likely to remember positive emotions	-less likely to remember positive emotions
-in countries with educated populations, higher birthrates	-in countries with educated populations, lower birthrates
-more people actively involved in sports	-fewer people involved in sports
-in countries with enough food, higher percentage of obese people	-in countries with enough food, fewer obese people
-in wealthy countries, lenient sexual norms	-in wealthy countries, stricter sexual norms
-maintaining order in the nation is not given a high priority	-higher number of police officers per 100,000 population

Hofstede's research gave an important contribution in the understanding of culture and is the most used approach across the world to compare and classify national cultures. A significant number of countries still used this framework (Brouthers & Brouthers, 2001). Other scholars have replicated this study based on the four original dimensions and have extended it to over 80 cultures (Ghemawat & Reiche, 2011). New models have also been set up. For instance, Schwartz identified seven values (intellectual autonomy, harmony and affective autonomy for

example), whereas the most recent GLOBE project bases on nine dimensions, such as human orientation or performing orientation (Chhokar et al., 2007). But despite these new researches, the Hofstede's framework remains the model. For example, on 43 cross-national scholars studied by Tsui et al., 32 used the "individualism vs collectivism" dimension, whereas only 9 used Schwartz' values (1994). The main reasons are the relatively simplicity of the model and the fact that it bases on numbers that can be used by anybody and everywhere in the world. However, several critics were expressed towards this framework. First, the questionnaire was administrated in only one language: English. People from different cultures have been questioned and despite their ability to speak English, they might not to express well the nuances they have in their own language. Second, the questionnaire was administrated to a section of employees who work for only one company: IBM. Then the results have been extrapolated to national cultures: thus he analysis based on the assumption that each nation is composed of a uniform culture. IBM employees would represent that "national uniformity" (McSweeney, 2002). Even if workers from different nationalities have been interviewed, the sample of respondents and the possible influence of the company on the answers may be raised (Livian, 2011). Third, the four dimensions enable to measure distance between two countries and suggests that this distance is symmetric. Indeed, scores assume that a French company investing in China has to deal with exactly the same distance as a Chinese company investing in France (Ghemawat & Reiche, 2011). The model does not take into account factors as the home country. Finally, criticism has been voiced against the framework insofar as it does care of the physical distance. Thus, regional specificities may be forgotten. Differences can be expected for a firm located in North of Spain and France or located in South of Spain and France.

In conclusion, companies willing to enter foreign countries, must be prepared to deal with differences in languages, consumer preferences, lifestyles or purchasing power. In order to evaluate these differences, cultural distance has been largely used in the business literature. However, in parallel with this distance, another concept has been developed: psychic distance. Even though they have been applied to various research areas (foreign direct investment, joint venture to name but a few), both concepts have not been well defined and are sometimes confused. A part of researchers decided to use the terms interchangeably, without a clear distinction. Inversely, another part preferred to give two definitions. Hence, Nordström and Vahlne have reported that the two concepts concern two different phenomena and are consequently different (1994). Based on this finding, it seems important to give a proper definition to psychic distance.

Psychic distance

The concept of psychic distance has been mentioned for the first time by the researcher Beckerman in 1956. He takes the example of an Italian entrepreneur who needs to import raw materials. Between a Swiss supplier and a Turkish's, he would certainly sign a contract with the Swiss supplier, even if the transportation costs are the same. He feels closer to him regarding language, business practices or industrial development for instance. However, psychic distance gains prominence and began to be formally defined with the studies developed at the University of Uppsala in the 1970s. Johanson and Vahlne defined psychic distance as “the sum of factors preventing the flow of information to and from the market” (1977).

The etymology of the term ‘psychic’ can be helpful to enhance the understanding of the concept of psychic distance (Evans and al., 2000). The word “psychic” is derived from the Greek word *psychikos* that means soul or the mind; thus it refers to moral and cognitive capabilities of the mind. This definition involves the concept of perception. Thus, psychic distance can be defined as the difference perception between two countries (Sousa and Bradley, 2006). By essence, this perception is individual. Regarding the level of analysis of this concept, it seems appropriate to assess it at the individual level (O’Grady & Lane, 1996). Measuring psychic distance at the national level may be a mistake due to the fact that religion, education or ethnic background vary within a same country. Indeed, psychic distance is an individual’s perception and therefore subjective. Besides, factual variables like statistics, language and level of education cannot be used due to its subjectivity. Psychic distance should be evaluated by perceptions. It would not be stable over time and it would not be homogeneous within companies (Shenkar, 2001). There would be as many different perceptions as people.

To sum-up with few words, cultural distance and psychic distance are different insofar as they are measured at two levels. The cultural distance is defined as the degree of differences in terms of cultural values between two countries. Consequently, it should be applied at the national level. Psychic distance is a perception felt by each individual, therefore it should be used at the individual level.

B. Administrative dimension

The administrative distance is hard to apprehend due to the fact that few research have been produced on this notion. The administrative distance (also named political distance) is based on

three components: historical, institutional and political (Moalla, 2015). Amongst historical components, links between former colonies and colonizers can be considered. Due to similarities in terms of cultural and legal system, two countries sharing the same colonial past tend to trade each other more easily. Hence, the commercial trade can be multiplied by threefold (Ghemawat, 2001). However, sharing a common past is sometimes not enough. A willingness of working together is necessary. For example, despite of common borders, colonial history and linguistic ties, trade between India and Pakistan is less than 1%, whereas 10% was predicted. Furthermore, trade can be increased by a common currency, trading arrangements and political union. The European Union succeeded in increasing internal trade, thanks to common regulations. Inversely, measures can create a deeper distance between countries. For instance, barriers can be erected by a state against foreign competitors in the name of protectionism. Trade quotas, markets preference for domestic competitors, foreign direct investment restriction are amongst tools that are set up. Ghemawat precises that these elements are implemented especially for companies that meet one or more of the following criteria: the company has a large number of employers, it is considered as a national champion or a symbol for the country. For instance, France and the United States did not hesitate to support respectively Airbus and Boeing in the aircraft war. Governments can also intervene and help companies that are considered as vital for national security (in sectors like aerospace, telecommunication), the firms that provide goods necessary for everyday such as electricity and food staples as well as companies which provide a service viewed by people like a human right (this is the case for the health care sector), or a national heritage which belongs to the country and should not be managed by a foreign company.

In the administrative dimension, politics has an important place. There is not only one democracy but different types of democracy. These differences can be measured through various variables. Based on this fact, the professor Witold Henisz created the Political Constraint Index dataset (POLCON) which is a dataset of 90 variables that measures and estimates political constraint. The dataset is based on quantitative data given in 234 countries during the period 1800-2007 and measure feature of the judicial, legislative and executive branches of the government. The minor objective of the dataset is to identify political structures and to know if these structures can support a credible policy commitment (2007). The second item which is largely known measures the degree of democracy and autocracy through quantitative analysis. Named POLITY IV, the item is an evolution of the program designed by Ted Robert Gurr that originally measured the durability of political system (1974). The polity

project has been approved by researchers and became a relevant basis for studying regime change. Data have been collected in more than 160 countries between 1800 and 2010 and allowed to define six indicators used for defining the different types of democracy (2011).

C. Geographic dimension

Geographic distance is doubtlessly the word which pops up immediately to the mind of a large number of people when they hear the word distance. Torre and Rallet define geographic distance as “the number of meters or kilometers that separate two entities” (2005). Most of studies measure this kilometric distance between two capitals (Angué & Mayrhofer, 2010) or two harbor cities (Brewer, 2007). However, defining geographic distance in terms of physical distance between two points would be too simplistic. The notion includes also all the topographic attributes that can impact somehow the business and the economic integration. Amongst these elements can be mentioned the share of common borders, the size of the country, the conditions of roads, the access to waterways, the differences concerning time zones and climates and even the attributes created by the human like communication and transportation infrastructures (Ghemawat, 2007). Beyond that, geographic distance may affect other elements, like the efficient transfer of knowledge. For instance, Dow and Karunaratna explain that it might be difficult to communicate quickly or to resolve an urgent problem due to different time zones between countries (2006).

It is largely argued in the business literature that all these factors are important in the selection of a foreign market. They are indicators of trade resistance and can irremediably cause important costs. Firms are likely to enter new countries or choose partner countries with a low geographic distance. The first reason is that the two countries tend to share a close environment (business methods, languages to name but a few). Second, the geographical proximity avoids high transportation costs (Sousa et al., 2006). Ragozzino explains also that countries closely located to the target country can easily have an access to information, directly or indirectly via potential partners or via their shareholders (2007).

However, costs related to geographic factors have largely decreased. Regarding transportation’ and communication’s costs, for example, Kuemmerle estimated that a New-Yorker who called A Londoner in 1927 had to spend £717.70, compared to 84 cents in 1999. He did the same observation about transportation costs: a container transported via ship from Hong Kong to Los

Angeles costed around £10 268 compared to 1900 in £1999 (2005). Communication and transportation technologies continue to decrease the costs but there are still important trade barriers (Ojala & Tyrvaenen 2007). Even with all technology improvements, geographic distance is still the most significant factor (Dow & Karunaratna, 2006).

D. Economic dimension

According to Tsang and Yip, the importance of cultural distance has been taken into consideration but another variable has been neglected: economic discrepancies between a home country and a host country (2007). The economic distance is defined by Cassey et al. as the differences between two countries in terms of wealth, income and purchasing power (2011). Researchers do not agree about the indicators that should be chosen to measure these differences. Whereas Malhotra et al., advocate that it is relevant to base only on the Gross Domestic product (GDP), Tsang and Yip find more realistic and complete to use different indicators such as the GDP per capita and the Gross net income per capita; two indicators which are largely used by researchers and organizations like the United Nations (2007; 2007). To those variables, Berry and al. add that costs in human resources, economic stability in the country and the degree of openness to the external influences (2010). The latter is measured as a ratio between import/exports of goods and services relative to the country GDP. Ghemawat assert that the economic factors have an effect on the trade level between two countries and on the choice of partner a country trades with (2001). This statement is confirmed by the Gravity Model of Trade developed for the first time by Walter Isard in 1954. This theoretical model aims at making predictions on trade flows between two countries. It bases on economic measures like GDP per capita, tariffs or price level and analyzes also other factors such as alliances, treaties and trade agreements. Regarding the economic distance, countries can adopt two different behaviours. On the one hand, when distance is considered as an obstacle for countries, they should absolutely avoid situations where economic differences are important. A certain number of researches have shown that it would be easier for two countries to share a same business model when they have close economic features (Mitra & Golder, 2002). Indeed, countries with similar consumption patterns, distribution channels and demand structure are likely to trade easily. Companies can standardize their products and the way they work, they can replicate the existing model that allows to achieve time and economies of scale (Waugh, 2010). Furthermore, the interaction and communication norms of a firm are influenced by the economic level of the country in which it trades. Hence, trading in a country with a completely

different economy can introduce uncertainty and additional costs for the company (Dow & Karunaratna, 2006). On the other hand, economic differences can be viewed as an opportunity. Hence, companies with high labor costs can be tempted to focus on countries with lower labor costs. This is for instance the case for footwear and garment industries which target countries with preferential taxes and wages (Ghemawat, 2001).

The **Table 9** enables to summarize the four dimensions described in the C.A.G.E framework:

Table 9. C.A.G.E Framework (based on Ghemawat, 2001).

Attributes creating distance	Cultural Distance	Administrative Distance	Geographic Distance	Economic Distance
	different languages	absence of colonial ties	physical remoteness	differences in consumer incomes
	different ethnicities lack of connective ethnic or social networks	absence of shared monetary or political association	lack of a common border	differences in costs and quality of: -natural resources -financial resources -human resources -infrastructure -intermediate inputs -information or knowledge
	different religions	political hostility	lack of sea or river access	
	different social norms	government policies	size of country	
		institutional weakness	weak transportation or communication links	
			differences in climate	

3. Research methodology

Anyone who wants to produce a research, necessary needs to elaborate a plan or a survey strategy (Denzin & Lincoln, 2005). This plan can be compared to a methodological link between researcher ideas and the choice of methods that must be used to collect and analyze data. In this chapter, it is explained how the empirical study is conducted, what methods are used and how data have been collected.

3.1. Research design

The research design or survey strategy illustrates the research objectives that derive from the research questions (Saunders et al., 2012). Elaborating such a plan means defining the approach of the thesis (exploratory, explanatory or descriptive), thinking about the choice of the method (quantitative or qualitative) and discussing about the way how data are collected (through participant observation, focus group or interviews).

3.2. Explanatory research

Three different approaches can be differentiated: exploratory, explanatory and descriptive approaches. The exploratory research is used when there is no previous topic or only little research on a particular topic (Brown, 2006). The objective is to familiarize with an unknown topic, to formulate questions for future researches and to generate new insights or hypothesis. It aims at giving a better understanding of the problem by identifying key variables and issues (Singh, 2007). It also focuses on ‘what’ questions. The explanatory research, also known as a causal research, is conducted to understand links between concepts or variables that are already known. This research is used to test a theory, to enrich a theory or inversely to refute it. ‘Why’ questions are common for such a research. Finally, as the adjective suggests, a descriptive research has for objective to describe, to identify or to determine a phenomenon that is barely known (Ethridge, 2004). Close to the exploratory research, the descriptive research goes deeper into the subject. As regards to this thesis, the explanatory research is adopted. Phenomena of distance and relationships between headquarters and subsidiaries have been already studied.

The purpose is to evaluate the link between those two concepts and to provide a more comprehensive image.

A study can be conducted through three different methods of reasoning: deductive, inductive and abductive. In a deductive approach, hypotheses are based on an existing theory. In other words, deductive approach explores a theory that is already known and tests this theory in order to be sure that it is valid in given circumstances (Wilson, 2010). Therefore, it means that the approach moves from the general to a particular situation, situation defined by the research questions. Inversely, a researcher adopting an inductive approach starts with observations and ends with theories. It moves from a specific situation and makes a generalization. Empirical observations of the world evolve into ideas and generalizations (Neuman, 2003). At the beginning of the research, there is no theory about the topic studied by the researcher: no hypotheses can be formulated at this stage. Once results of some observations are analyzed, he can write hypotheses and test them with other observations. Contrary to the deductive approach, the inductive reasoning is a “bottom-up” approach where the researcher bases on observations and build incrementally his reflection. Babbie resumes well the distinction between those two approaches: deduction bases first on a known pattern “that is tested against observations, whereas induction begins with observations and seeks to find a pattern within them” (2010). Combination of the two approaches, a third one exists: the abductive approach. It bases on critics regarding the two other approaches. The way how the theory is selected would not be clear enough in a deductive reasoning. Concerning the inductive approach, a large number of situations should be considered and significant data should be collected to build a theory. This collection would be too little. Based on those weaknesses, abductive reasoning appears as a third alternative. Face to “puzzles” or “surprising facts” which cannot be explained by existing theories, the researcher proposes different explanations and choose the best alternative (Bryman & Bell, 2015).

Regarding the thesis, the starting-point is theory. Based on theoretical frameworks, hypotheses are formulated and research questions are tested in a particular situation. This is typically a deductive approach. However, data collected will enable to test the hypotheses but may give additional information.

3.3. Qualitative research method

They are generally two kinds of research methods: qualitative and quantitative. The choice of the method depends on the type of data the researcher looks for. The qualitative method is defined by Hogan et al. as “a multifaceted approach that investigates culture, society and behavior through an analysis and synthesis of people’s words and actions” (2009). Compared to the quantitative method, the objective of such a method is not to identify a statistically representative sample, but to provide a faithful description and in-depth understanding of how people react face to a research issue. It enables to obtain information about individual’s opinions, beliefs and behaviors. Intangible factors such as gender roles, ethnicity or social norms can also be apprehended. The research is commonly associated to ‘why?’ questions, that suggests that it can get to deeper levels than the quantitative research based on ‘what?’ questions. This fact lead a certain number of researchers to argue that the qualitative method is more efficient to getting emerged what interviewees really think (Barnham, 2015). The objective of the thesis is to evaluate how employees from MNCs perceive distance between the headquarters and the subsidiaries and to know if this perception has an impact on relationships between units of the company. Perceptions, feelings can be evaluated through a qualitative method rather than a quantitative method.

3.4. In-depth interviews

Qualitative data are usually collected thanks to one of the three main methods: the participant observation, the focus group and the in-depth interviews. In this thesis, the goal is to obtain information about human experiences and reactions face to a situation. Here, individual stories and words used to describe those stories are primordial; that is why it is decided to use in-depth interviews. Interviews are described by Rubin & Rubin as “night visions goggles” that help the researcher to access data that are not ordinarily seen (2005). Additionally, semi-structured interviews seem the most flexible and appropriate collecting method for this study. Indeed, the researcher notes some questions but he is free to change the order of those questions, to reformulate a question when he does not understand the answer or when he wants more details. Inversely, the respondent can ask the interviewer to clarify a question (Yin, 2003). Personal interactions are important between the interviewer and the interviewee. The researcher willing

to get deeper information must create a climate of confidence. Some candidates are sometimes not comfortable of telling their personal stories or are afraid of saying irrelevant or boring information (Gillham, 2007). Semi-structure interviews enable also to go deeper in the analysis thanks to open questions. Those encourage respondents to express their thoughts with sentences and not with “yes” and “no” answers. Therefore, more detailed information is expected. Another good point is the so-called “thinking aloud” described by Saunders et al. (2012). While they are interviewing, some respondents think about the answer at loud voice and may think about something they did not think before. It enables to make progressed the reflexion process. Finally, direct interviews enable for the interviewer to observe respondent’s behavior. Except verbal answers given by the respondent, non-verbal elements can give additional information. Facial expressions, body movement and posture are for instance elements which help the speaker to clarify an idea or to insist on a message. It can be also interesting to see that verbal and non-verbal sometimes conflict each other and non-verbal elements can be interpreted as the true meaning (Phutela, 2015).

3.5. Data collection and sample

In order to obtain valid information, a sample of individuals have been selected according to particular criteria. In the qualitative research, the choice of data selection is all the more important that it can lead to a bias for the results.

First, it is important to say that the sample of respondents is based on the self-selection method (Saunders et al., 2012). It means that the researcher has personally chosen the managers and therefore the criteria. Plus, the context is important and may influence data, that is why a picture of interviewees and companies has been given in the **Tables 10, 11 and 12**. The **Table 10** gives details about respondents: sex, nationality and job position. These elements may be a bias about the way how respondents answer questions, that is why it seems to note them. Plus, the sample should be ideally representative of population. The second Table focus more on time respondents spent in the company-it may be a good indicator, the more they worked in the company, the more they may know it; it is also indicated if they currently work in the HQ or a subsidiary and if they have already worked abroad for the same company. When it has been possible, the principle of double-check, recommended by Mezias et al., has been applied (1999). It means that data are collected from two points of view: the headquarters’ and the subsidiaries

view. It has been possible to realize this double check thanks to three respondents who have experimented the headquarters and subsidiaries. The last Table gives basic information about the three European MNCs studied in this research. Due to confidentiality, few information is given at this stage. It is important to note that ‘subsidiaries’ means ‘foreign subsidiaries’ located in countries different from the one of the headquarters. Additionally, previous researches have stated the importance in the choice of studying MNCs from a particular activity sector. Thus, Beddi & Mayrhofer advised that it would be relevant to study companies working in the same activity sector (2012). For those reasons, it has been chosen to focus on mass consumption firms, including food companies.

Primary data have been gathered from six managers. Initially, seven people have been contacted between April and November 2016, but due to changes in the questionnaire, the first interview has been deleted. All respondents have been contacted by mail, phone or directly thanks to the network provided by the school and by the researcher. For each new contact, the topic and the objectives of the thesis were exposed and explained to the respondent. It was also explained why the researcher thought the respondent could answer her questions (job where he could have relationships with the headquarters or/and subsidiaries). Once those information is verified and that the respondent agrees to be interviewed, a questionnaire was sent to him and a meeting was proposed by Skype, phone or in face-to-face regarding the location and the availability of the respondent. At the beginning of the interview, the topic is explained again and the interviewee is asked to be recorded thanks to a phone. This tool enables the researcher to take notes, to be more attentive and to produce a faithful transcription in a second time. Once the interview is finished, the respondent is free to access to the transcription and to change elements. Each respondent can also obtain results from the final thesis. As said before, qualitative research is not based on quantity of answers. Six interviews were considered as relevant enough to provide answers to the research. All respondents work for a mass consuming or food company. Plus, due to their job position, they work/have worked in a HQ/subsidiary and have still links with the HQ or subsidiaries. Thus, they can share their feelings about control and say how distance between HQ and subsidiaries affect their job.

Six interviews have been conducted and based on the saturation principle, this number was considered as enough (Saunders et al., 2012).

Table 10. Profile of the respondents.

Respondent's number	Nationality	Sex	Job position	Type of interview	Last of interview
Respondent 1	French	Man	Project implementation manager	Face-to-face	34 min
Respondent 2	Bulgarian	Woman	Brand Manager	Face-to-face	31 min
Respondent 3	French / Belgian	Woman	R&D support	Face-to-face	25 min
Respondent 4	French	Woman	Marketing Director	Face-to-face	37 min
Respondent 5	French	Woman	Repack planner	Phone	40 min
Respondent 6	Ivorian	Woman	Financial controller	Face-to-face	31 min

Table 11. Details about respondents and companies.

Respondent's number	Company	Job location	Currently a HQ person / subsidiary person	Has already worked in the HQ / subsidiary / both?	Work in the company for:	Other countries where the respondent worked (within the current company)
Respondent 1	Company A	Paris	Subsidiary person	Both	20 years	Germany
Respondent 2	Company A	Paris	Subsidiary person	Both	10 years	Bulgaria, Austria, Kazakhstan
Respondent 3	Company A	Paris	Subsidiary person	Subsidiary	6 months	none
Respondent 4	Company A	Paris	Subsidiary person	Both	20 years	Germany, Egypt
Respondent 5	Company B	Paris	Subsidiary person	Subsidiary	1 year and half	none
Respondent 6	Company C	Paris	HQ person	HQ	6 months	none

Table 12. Information about companies.

Respondent's number	Headquarters' location	Subsidiaries location	Sector of activity	Turnover
Respondents 1, 2 & 3	Germany	In more than 75 countries all around the world	Mass Consumption	18 billion
Respondent 5	Switzerland	In more than 25 European countries	Mass consumption	-
Respondent 6	France	In more than 130 countries all around the world	Food industry	22 billion

In the study, the researcher must provide an ethical work. Ethics concern the way how the researcher collects, organizes and reports data. He must be sure that all data written in the thesis will not bother companies and respondents. Indeed, a research must be “both methodologically and morally defensible to all those who are involved” (Saunders et al., 2012). For this reason, names of participants and companies have been chosen to be kept confidential. Numbers are given to respondents and letters are associated to companies for a better understanding.

3.6. Reliability and validity

In qualitative research, reliability and validity are extremely important; they ensure the quality of the research methodology and the findings. Reliability is defined by Bernard as a means to know whether collected answers can be the same “by using an instrument to measure something more than once” (2000). In other words, reliability is synonymous of ‘consistency’ and “repeatability” insofar it provides consistent and stable findings. Conditions of application of the study are particular. If the research is replicated in exactly those conditions, results must normally be the same. Easterby-Smith et al. state that there are three conditions to secure reliability: the observations realized by the researcher can be re-used by other people, the research method is consistent and should conduct to same results under the similar conditions, the way how the researcher has collected and analyzed data should be clear (2008). Reliability issues are often related to subjectivity of respondents and researchers. If subjectivity is too

important, the study can be compromised (Wilson, 2010). Two parameters must be taken into account: the participant bias and the observer bias. The participant bias or response bias exists when the respondent tries to guess what the researcher wants and therefore adapts his answers or behaviors. Plus, social desirability may have a role: the interviewee tries to present the best version of himself or a version that is acceptable by the society by fear to be judged by the observer and the readers. It is all the more difficult when sensitive questions are asked. Trust between the researcher and the respondent is important, therefore the interviewee can answer honestly and openly. The respondent must feel confident to tell his own story. There is no bad answer, only different versions. At the beginning of the interview, the researcher proposes to hide the name of the respondent and the name of the company for which he works. He also insists on the fact that the respondent is not forced to answer all questions. Those precisions aim at reassuring the respondent (Crabtree & Miller, 1999). The observer bias or research bias is the tendency the researcher has to obtain answers he expects or answers he wants. The interviewer has already some knowledge about the topic and as an individual, he has opinions, subjective feelings and prejudices that can influence intentionally or unconsciously the answers of the respondent. Subtle changes can be involved in the way how the researcher interacts with the interviewees. In order to avoid this bias, or at least to reduce it, the researcher can elaborate clear procedure, rules and a time frame for collecting answers. He also can structure his questions, so far he will not be tempted to influence the answers.

Validity is defined as “the extent to which a measurement represents characteristics that exist in the phenomenon under investigation” (Malhotra & Birks, 2007). More simply, it evaluates if the tools, data and processes are appropriate. If the instruments used in the research are wrong, the results will be wrong, even if they will be reliable. Therefore, it is important that the researcher evaluates the reliability of the research as well as its validity. It means that he systematically challenges himself, the way how he conducts the interviews and the answers given by the respondents. Qualitative studies are not linear but rather iterative, that implies they continuously evolve (Morse et al., 2002). A high congruence is required between literature review, questionnaire, data collection and analysis of findings; and the researcher is responsible of this congruence.

4. FINDINGS AND ANALYSIS

This section presents the empirical findings collected through six semi-structured interviews. The respondents 1, 2, 3 and 4 work in Paris in the company A. The interviewees 1, 2 and 4 had the opportunity to work also in the headquarters in Germany. The respondent 5 works in the French headquarters, whereas the interviewee 6 works in one of subsidiaries. All of them frequently experiment distance: either they worked in the headquarters/other subsidiaries in the past or/and they often work with them. First, the interviewees were asked to qualify relationships between the headquarters and the subsidiaries, relationships based on cooperation, trust or conflict. Second, following the theoretical framework, the existence of distance was questioned. The objective was to understand if the respondent felt distance between entities and if yes, questions were asked about the importance of distance in their job. Based on the C.A.G.E model, each type of distance was also evaluated. Their answers aim at helping the researcher to answer the research questions which is: does distance affect HQ-S. relationships? Beyond questions asked by the researcher, some respondents went further by giving examples of tools they use to deal with distance.

For each part, the most relevant quotations have been reported. They are supported by some sentences that precise the context or give additional information.

4.1. Relations between the headquarters and its subsidiaries

4.1.1. Relationships

Table 13. Types of HQ-S. relationships qualified by the six respondents.

Interviewee number	Excellent	Good	Based on the cooperation	Medium	Difficult	Conflictual	Other adjective
1						x	
2		x					
3		x	x				
4		x					
5				x			
6		x					

Respondents judge that the HQ-S. relationships are good (4 interviewees on a total of 6 interviewees). Different parameters may explain those relationships:

- HQ-S. relationships depend on relations between individuals. Globally, the better relations with colleagues, the better relations with the headquarters/subsidiaries.
- managers have the opportunity to follow trainings. They are a means to learn or to improve their skills; they are also a means to meet their foreign colleagues. The interviewee 4 underlines the importance to meet physically people with whom she may work, it enables to create a good working atmosphere.

It is interesting to note that the interviewee 1 does not have the same feeling than his colleagues regarding relationships. He defines those relationships as conflictual insofar the headquarters and the subsidiaries do not always agree and have “divergent interests”. This idea is defended by the respondent 3. According to her, the headquarters has a global vision for the company, it wants to increase the turnover at the global level, whereas subsidiaries take more care about their own interests. Local managers play an essential role because they are usually better listened by employees than managers from the headquarters. The latest should be more transparent and pragmatic.

The interviewee 1 observes that it is not difficult to discuss with managers working in Germany -the headquarters- but discussions are often conflictual. The headquarters has some rules, a certain image of the company and wants that all countries follow and adopt those rules to correspond to this image. There are usually tensions between the headquarters and local units. As a Supply Chain manager, the respondent 1 tries to defend interests of his country, of the local marketing unit and he is constantly challenged by the mother company. He admits that he is operationally independent for different tasks and he is constantly asked to give his opinion. However, Germany often has the last word at the end: its decisions are copied and pasted in the other countries. Centralization, rigidity may give a feeling of frustration to managers. For the same company, the respondent 2 also notices that rigid administration and bureaucracy process may play a role by degrading relationships.

“Germany would like that everybody fits into the same mold and adopts the same rules, processes and templates [...].”

(Interviewee 1)

4.1.2. Trust

The question of trust is perceived differently by respondents. The interviewees 2 and 3 consider the mother company trusts in its subsidiaries.

“Compared to other big companies, you have more flexibility, people trust in you, you can give your opinion and you participate in all the meetings.”

(Interviewee 2)

Conversely, the respondents 1 and 5 note that the headquarters trusts less in its affiliates than in the past. The manager 1 gives the example of the new stratification within units which is the result of a hyper centralization of power.

“There were an IMU [International Marketing unit], a LMU [local Marketing Unit] and even a RMU [Regional Marketing unit] four or five years ago. They deleted the regional level and now there are only the local and the global levels. From my point of view, they didn't trust enough in regions.”

(Interviewee 1)

Furthermore, the vision about trust that the manager has, might depend on his job. For instance, the manager 6 works as a Financial Controller. Her role is to control everything and even if she trusts in sales representatives from South America, she has to check if objectives of turnover are reached. Representatives do not have all the information and cannot take into consideration all risks, for instance economic risks. Hence, even if they are transparent about their results, they might make mistakes. In such a position, there is no place for trust, only for control.

4.1.3. Control

Table 14. Control qualified by the interviewees.

Interviewee number	Weak	Medium	Strong
1			x
2			x
3	x		
4	x		
5			x
6			x

Control is perceived as strong for four respondents. Through interviews, it appears that this perception depends on different parameters. First, the economic situation may have an impact: the interviewee 5 admits that the organization of the French subsidiary has changed due to the social plan which has been created two years ago. Globally, subsidiaries have lost a certain autonomy, whereas the headquarters has become more present. Besides, in a strategy of globalization, the number of small subsidiaries and employees has drastically been reduced, jobs and subsidiary roles have been redefined and decisions have been centralized. This point is also raised by manager 4. Now, she does not feel any control from the headquarters but she confesses that in a situation of crisis, it could be different. Second, the degree of control may depend on the importance of topics. According to the manager 2, control is strong for subjects which are judged important by the headquarters. For example, monthly reports and even sometimes daily reports are asked by the headquarters. However, the local manager can take his own decisions about minor topics. In Marketing, the manager can choose the type of promotions he wants, for instance.

“There are topics you need to discuss with them [people working in the subsidiary] and for some others, I do not have to. For instance, we discuss about all the innovations for next year, about the products, the advertisements and so on but we don’t discuss about which type of promotion format I have for a

particular product, which type of displays I want to use or if I want to do couponing by using this tool or this other tool.”

(Interviewee 2)

Similarly, the respondent 5 underlines the importance of procedures written by the headquarters. For her, formal procedures are a form of control.

“I know that they are procedures to follow and for instance when sales representatives want to change the price, the distributor or the client, they must ask us our approval. We validate everything because they don’t have the financial expertise that we have.”

(Interviewee 5)

4.2. Perception of distance

4.2.1. Cultural dimension

A. Cultural distance: a reality perceived differently

All the respondents agree to say that cultural differences are a reality within the company. Those differences manifest diversely: language, working hours, behaviours (pro-active vs passive behaviours) to name but a few. Face to a particular situation, employees answer differently regarding their own values and their own culture. In the below quotation, the interviewee 2 speaks about the employee behaviour regarding risks and decisions. For her, a pro-active behaviour would be related to culture. It would be strongly embedded to mentality and employees would act in a certain way, not because they are willing to but because they follow what they have learned in their culture. Unconsciously, culture shapes the behavior.

“Culture differences? This is inevitable. For example, if I compare with the mentality in Kazakhstan, you have people who work a lot but are not used to take decisions and you have always the manager who has to take the decision. This is not in their culture, this not an individual choice for instance, I mean, compared to France. You are not pro-active, you don’t take decision and you don’t take risk. In this case, when you have 99,9 % of people who are like that, this is really a cultural issue [...] People begin to take the decision once they are promoted. This is really in the mentality.”

(Interviewee 2)

The interviewee 2 states that national culture is really strong. She began to work for the company A in Bulgaria, then she moved to Austria and Kazakhstan. She grew up in an East European culture. Now she works in France and feels the difference with her French colleagues.

“East Europe[an] [inhabitants] are more pro-active, more aggressive. You have also people who come from East Europe who have posture closer to the American posture than the French one and this point was difficult when I came to the company A, in France. This is still difficult because I feel that I am not at all as same as the others.”

(Interviewee 2)

Culture differences are a reality and companies sometimes must adapt locally regarding culture specificities. For instance, the interviewee 6 underlines the fact that employees work differently and that some countries are more reluctant to change than others.

“For instance, Spanish employees tend to spend a lot of time to explain something-inability to synthesize. They are also more flexible. In France, there is a strong resistance to change. Each change leads to lots of discussions and negotiations. For example, a new process coming from Italy and Switzerland was officially implemented four months ago. However, the process has not been

accepted in France and there are still several discussions [...] Due to cultural differences, the implementation of decisions in subsidiaries is more complicated if decisions are not adapted locally.”

(Interviewee 6)

Sometimes, even important notions are questioned. In the theoretical research, it was suggested that trust was the cement of all relationships, whatever the country. It is interesting to note that this statement is not shared by everybody. Taking the example of Kazakhstan, the interviewee 2 explains that trust is not an important value in such a country. It would be possible to do business, even if protagonists do not trust each other. The respondent insists on the necessity for foreign employees to be aware of those differences and then, to consider them. Once they understand specificities, they are able to level the playing field. At the beginning, this is not easy and it is sometimes upsetting. However, this is an absolute condition to do business in a foreign market. Culture goes beyond the individual level, insofar it can influence the way how business is ruled.

“When there is an error or a problem, it is always hidden or justified by an explanation. Sometimes, the problem is modified or exaggerated, therefore you never know what exactly the truth for each story is. This is really difficult to trust people or even your team you work with [...] I remember what my commercial director told me one day: ‘here the national sport is cheating’ and he won easily at this game. But I considered it as a joke, I could not imagine the daily impact on work but it was certainly huge.”

(Interviewee 2)

Cultural differences can sometimes lead to difficulties and slowness within the company. Incomprehension or misinterpretation are often the basis of those difficulties and firms should seriously take them into consideration and adapt themselves to the local culture. However, whatever the problems created by differences, differences are a strength which should be

supported. For instance, the interviewee 3 encourages strongly multiculturalism. She only sees positive points to hire profiles that are culturally different. Their own way of thinking nourishes the company. The difference in terms of language is an excuse because everybody can communicate in English.

Furthermore, people would tend to think in a same way with globalization. To understand this statement, a distinction must be done between form and content. Form is defined by what it is visible, as for example, the manner how people express, the duration and the number of meetings per week. Thus, the manner how the culture manifests itself is different from a country to another. Content is related to the essence of culture, what it is not visible. The interviewee 3 makes this distinction and explains that the culture content has known a deep transformation. Therefore, except visible cultural elements, employees from a same company would be interchangeable. Culture would not be a question of content but of form.

“Between the moment when I entered into the company A, 20 years ago and now, there has been a “transformational change”. It’s completely different. More and more, we thing with the same way. When I say that, I don’t say that we have the same ideas, I speak about the manner we think, the manner how we argue [...] For me, cultural differences are not a question of content but a question of form. You know that people from this country or this region prefer phone calls, meetings. With other people, mails work better.”

(Interviewee 3)

Furthermore, it seems that people who used to travel, tend to perceive culture distance differently. They are aware of the existence of differences but do not consider them as a problem. The interviewee 4 has evolved in a multi-cultural environment since her birth. It is probable that in such an environment, she learned the codes particular to each culture. Now, each time she confronts a culture she already experimented, she can re-activated the right codes and adopt the suitable behaviour.

“I lived in Germany. I always studied German, lived in the Netherlands, plus I have Swiss-Belgian origins. I have this feeling that I have this North European

culture. Thus, for me, there is not a big culture choc between Germany and France because I have the feeling to have been between those two cultures since I was born.”

(Interviewee 4)

Lastly, even culture plays a role, it is also important to note that making a generalization might be dangerous. It would be inappropriate to assert that behaviors are all determined by culture. Individual plays also an important role. This fact is remained by the interviewee 3:

“And you have people who are very good and very bad at doing their job, but this is not linked to culture. This is related to individual competency.”

(Interviewee 3)

B. Tools to control the cultural distance

Based on the assumption that cultural differences are a question of form, firms set up a form of control over subsidiaries. The interviewee 3 gives the example of templates. For the launch of a new product, the product manager must obtain the approval of his superiors. Therefore, he must succeed in two steps and for each step, templates must be filled up. Whatever the country, templates are the same. Those force people to think similarly. Besides, this is a gain of time for superiors. In spite of listening a presentation of 40 slides, they read the arguments on the templates and compare a project from another one; the structure remains the same.

“[...] if you are an international product manager and must read 25 business cases which have a different shape, you cannot deal with that, it's impossible. No, it's possible but you spend days and nights. The templates are linked to the notion of control but they also allow to gain time. They force people to thing with the same way, even if they have eventually different ideas.”

(Interviewee 3)

“I think that cultural differences are partly mitigated by process.”

(Interviewee 4)

C. Expatriation

Additionally, employees can experiment job rotations. For a project, this is a means to gather people who are chosen regarding their competency, their willing of travels and their nationality. For instance, the interviewee 1 spent two years in Germany, working in a multicultural team. He benefited of language lectures and a “culture coach”. However, reality is sometimes different of what it is expected. In France, the interviewee 1 used to communicate with people from diverse countries and was enthusiastic to have a new challenge. But in the German HQ, he had to face comments on the fact that he was French. He was the victim of stereotypes and his behavior was judged regarding his nationality. Nationality can take over the individual.

“I was extremely surprised. Before doing my job rotation, I had a vision completely different that it is. For a project, a multinational team was built. Everybody came from a different country. It was not a coincidence. First, you say: ‘it’s great’, that is why I decided to go there. In Germany, I was completely chocked that someone told me every day: ‘look at [name of the interviewee], this is typically France.’ I thought there were no cultural differences, I discovered there were. It was difficult [...]”

(Interviewee 1)

D. Corporate culture

Except one interview, corporate culture is perceived as a means to create cohesion between employees or a means for the company to have a look on employees. However, this kind of control is not something that can be observed but is more implicit. For instance, the interviewee 6 explains that the company insists on a particular value which is the taste for effort and performance. During recruitments, candidates are challenged about their ability to work hard

for reaching high objectives. Hence, the company controls if the future employees agree with value. Normally, all employees give importance to this value, that enables to build a team with people sharing the same values.

“The culture is not something that is written, the team spirit is very strong. We all share this exigence in the job, face to high objectives. You feel that people working in South America are very close and are able to help each other.”

(Interviewee 6)

Even if employees belong to a national division, corporate culture enables to go beyond countries.

“I have the feeling to belong to the company X. For me I belong to the company in global because I have lots of contacts with the headquarters and I’m in a ‘win-win relationship’. [...] Next week, I get an audit for the eco-label regarding the laundry [name of brand]. It proves how important this issue is for the firm.”

(Interviewee 4)

Besides, a person who worked in different countries within the same company is willing to adhere more to corporate values. Hence, the interviewee 3 traveled to Egypt, Germany and France and experimented different divisions within the company. Now, she has the feeling to belong to the company and not to a particular division of the firm. She insists on the fact that traveling enables to have a global vision of the company. She heard ‘almost 45 times the leadership principles’ and strive to share those principles to her colleagues.

“Someone who has spent most of his working time in France in one department can have the feeling to work for a big machine that he doesn’t understand well and that is far.”

(Interviewee 3)

4.2.2. Administrative dimension

The company is inevitably impacted by the way how the country is governed. In the cases studied in this paper, interviewees note country rules are inevitably superior to company's rules. Therefore, managers must comply with those rules, otherwise they cannot do business. The respondent 2 takes a personal example when she worked in Kazakhstan. The dictator had the power and could decide who run companies and how they are run, that makes complex the establishment of a foreign subsidiary in the country.

“In Kazakhstan there was a dictator who stayed in power twenty years long. There was a very big company like Carrefour in France and one day the dictator decided he wanted 30% of business [of this company]. His brother-in-law became the financial director of the company overnight and detained 30% of business, without paying something.”

(Interviewee 2)

“One day, I had to send a significant number of bottles by ship to a country located in South America but finally it didn't work because there was a regulation established by the country: we could not send more than X bottles. So, we had to adapt, to change the strategy [...] Those elements must be taken into consideration.”

(Interviewee 6)

However, in some specific circumstances, rules determined by the company can prevail over the rules of the country when they are judged better for the employees. The respondent 4 notes that usually the national rule prevails but there are exceptions when the rules of the company are better for employees.

“Rules of the company cannot be substituted for local rules. For instance, let’s take the example of France. One of company’s rules is not to force employees to work more than X hours per week. This is good. But France adopted the rule of 35 hours rule and cannot be substituted for this rule. [...] Inversely, there is not a maximum number of working hours in some emerging countries but the company limits this number to X hours. Do you get my point? In other words, somehow, you take the best of the two situations. Typically, one of company’s value is not to employ children. If the company implements in a country where children can work, in some emerging countries for example, the company I does not employ children.”

(Interviewee 4)

4.2.3. Geographic dimension

A. Geographic distance

For all the interviewees, geographical distance is a reality but not a problem. Working in an international company that is composed of several subsidiaries creates inevitably a physical distance between those subsidiaries and the headquarters. This is not an issue if employees succeed in changing the way how they work. For instance, the interviewee 5 works daily with South-American colleagues and adapts her schedule due to different time zones.

“Every morning, I manage to work and progress on things I didn’t finish because I know that I receive lots of requests from South America on afternoon. It’s not an obstacle. Now, I know how they work, I know their job hours, so I can adapt. It’s necessary if you want to speak with them.”

(Interviewee 5)

However, geographical distance can make more difficult the transmission of information.

“Conveying information is more difficult and takes more time, you have less reactivity. Besides, it’s more difficult to create good relationships and to know well interlocutors. Distance can affect time of reaction: it is easier for help from a colleague we know than someone we don’t know.”

(Interviewee 5)

Different tools can be used by managers to make easier communication between headquarters and subsidiaries. There are presented in the **Table 14**.

Table 15. Main means of communication.

	Phone	Mail	Travels	Others
1	+++	+++	+	
2	+++	+++	Less and less due to travel costs	Telco, video conference
3	++	+++	+	Telco, video conference
4	+++	+++	+	
5	+	++		Video conference for meetings
6	++	+++	+	

Here the significations for the signs:

+++ : daily using

++ : frequent using (at least once a week)

+ : seldom using (at least once a year)

B. Means to deal with the geographic distance

The choice of communication tools depends on two factors: costs and objectives. Regarding physical meetings between managers from the headquarters and the subsidiaries, they tend to

be reduced for economic reasons. Besides, they are privileged when the message is important. Indeed, communication by skype (or telco) are convenient but can be inaudible if participants talk at the same time. Besides, the interviewee 1 notes that some employees do not dare to express their point of view during those meetings. It is also more difficult to ask questions and the video conference is rather “top-down”.

“It’s sometimes a cacophony during telcos when there are ten people around the table. It’s ’not great, I don’t like it. I’m from the former generation, let we say, and I prefer face-to-face. I prefer meetings when we are all physically sitting around the table. For the telco in distance, there is often a loss in the meaning. We don’t express as easy as we are all in the same place at the same moment. I think that for some colleagues, this is a hinder. They are likely not to intervene so often because they have a little problem with the language, with English and it’s worst by telco or video conference than face-to-face.”

(Interviewee 1)

New digital tools enable to erase geographical distance, but physical meetings are still important. According to the interviewee 4, those meetings create a “better cohesion within teams”. Travels also help headquarters employees to understand better the reality of subsidiary countries. The interviewee 2 insists on the necessary for managers from headquarters to visit subsidiaries, even if it is time consuming and expensive. She takes the example of Kazakhstan; it was sometimes difficult to explain headquarter managers why one product works whereas another one does not work if those managers have never seen the product, entered a shop in the country and spoken with Kazakhstan consumers.

“I miss a lot physical contacts I had with managers from the top [from the headquarters]. It was sometimes difficult to explain why certain products work and some others not.”

(Interviewee 2)

“It depends on the effort the headquarters makes to transmit its message. If we only use mails and phone and if people never move, it’s difficult. If you have an important message to transmit, for instance a communication about a new objective or a new strategy, it’s important that someone working in the headquarters, goes to the subsidiary. Therefore, he can explain and spread the important message.”

(Interviewee 2)

Besides, the frequency depends on the importance of the country in the business of the company (turnover, number of consumers, shares of markets for instance).

“The frequency of contact depends on the weight of the country in your business. For instance, Germany spends more time with their American colleagues because America is now the biggest business for the Laundry Department. They communicate at 5:00 in the afternoon but it is still more complicated than speaking with people working in the same building.”

(Interviewee 3)

4.2.4. Economic dimension

The economy of a country must be taken into consideration. Each country is different regarding its rules and its currency. Besides, wages may be various from a country to another. Therefore, the company that wants to invest in a country, should give importance to those parameters. The interviewee 3 takes the example of Algeria: in such a country, profits must necessary be re-invested in the country. The foreign company cannot take its own decisions without the approval of the host country.

“For instance, there is a rule in Algeria and it’s not allowed to get profits out Algeria. Profits must be re-invested in Algeria. We don’t have the choice, that’s all. This is a constraint but this is the country law that prevails. Companies do

not make the law. [...] Economically, when a government decides to devalue, you suffer from the devaluation. The only thing you can do is to ask the country to sell more in order to compensate the losses or ask the other countries that have not suffered from the devaluation in order to compensate those losses. It has been the case in 2015 and 2016. Western Europe had to give more benefice because devaluation causes too much losses in emerging countries.”

(Interviewee 3)

Consequently, investing or implementation in a new country can take time. The headquarters must elaborate a plan which considers specificities of the host country.

“For instance, the company A was implanted in Myanmar three years ago. It is a country relatively closed and discussions took a long time. When we did a joint venture with Iran, some years ago, you can imagine that it was not ‘I come and I install’. There are inevitably countries in which discussions took a long time. I don’t say that because of that, we don’t do it but because of that, this is long and consequently it’s not the priority.”

(Interviewee 3)

“Economy plays a role. This is not by accident that global supply chain is outsourced to the Netherlands. This is a strong impact on the company.”

(Interviewee 1)

The company must also compose with differences regarding currencies and wages. Thus, the currency and fluctuations of the currency have an impact on wages.

“For the same company, salary differences between countries don’t play a role because you know that in Bulgaria, for instance, the wage is less but this is not your motivation at the daily level. You have a salary and normally you compare

your salary to the other companies in your country or with your colleagues. There is no comparison because the cost of life is not the same. Salary is not the main factor.”

(Interviewee 2)

“When you have your turnover and you want to analyze it, you see if on this particular country you gain because business was better or if euro is stronger than dollar due to the change rate. It has an important role on the turnover.”

(Interviewee 6)

5. SUMMARY AND IMPLICATIONS

This chapter concludes the thesis. It aims at giving theoretical contributions and empirical findings thanks to data collected through interviews. In practice, these findings may be useful for managers, that is why it seems important to say a few words about them. Finally, the thesis is limited to some extents and it is necessary to point limitations and to make suggestions insofar as it could be potentially used for future studies.

5.1. Summary of empirical findings

Empirical findings enable to test some elements developed through different theories. In particular, the researcher aims at reaching two research objectives which are:

Research objective 1: Examination of HQ-S. relationships in MNC context.

Research objective 2: Explanation of the notion of distance and evaluation of its role in relationships.

Besides, most of respondents went further by proposing ideas for facing distance.

Regarding distance, all respondents agree to tell that this is a reality. However, according to their nationality, their professional career and the time they spent with foreign colleagues, they perceived distance differently. At this stage, it is important to note that all respondents share easily their feelings about cultural and geographical distance because they deal with it every day. It is more complicated to obtain information about administrative and economic distance because it concerns more directors. Cultural differences are visible through elements like languages differences or differences in attitudes. However, they usually are not a problem and managers succeed in dealing with these differences. The three companies, which have been interviewed, use expatriation and corporate culture to create cohesion between managers; the company A uses also templates to force managers to express their ideas with the same way. Plus, expatriation, corporate culture and templates are somehow seen by respondents as a means for headquarters to control subsidiaries.

Interviews reveal also that there are different degrees of control. The degrees depend on various factors. Hence, MNCs would exert stronger control over subsidiaries when they are in a crisis situation. They would be likely to centralize decisions and increase procedures. Besides, the company A underlines that the headquarters takes decision on important topics, whereas

subsidiaries are free to take decisions on minor topics. This situation does not prevent the HQ from having good relations with their subsidiaries. However, the word “cooperation” has been pronounced by only one respondent.

Additionally, respondents are all confronted to geographic distance due to the fact that they daily interact with the headquarters/subsidiaries which are located in foreign countries. Even if physical distance may be an obstacle for doing business, tools like mails, phone or Skype can prevent difficulties. Respondents unanimously think that this distance does not impact HQ-S. relationships in the case they have the right tools to deal with.

Lastly, an administrative and economic distance can be created if rules are not fixed well between the headquarters and subsidiaries. In the case where rules of the country are known, there is no reason to have a HQ-S. distance.

The six interviews enable to show that distance between H-S. is felt by managers but is not an issue in the case where companies is aware of this fact. In the thesis, the three firms are MNCs and are used to deal with these issues. All of them encourage expatriation and have strong corporate values they teach managers as soon as the latter work for the company. These two elements may be also considered as means of control. However, it seems that distance does not have a huge impact on relationships. In other words, it can lead to issues but tools put in place by firms enable to deal with that. Managers insist on another element which would affect more relationships: divergence in interests. For instance, the respondent 3 emphasizes the fact that conflicts between the headquarters and its subsidiaries arise when the headquarters has a global vision whereas the subsidiary is more interested in its own interests. The situation becomes worst when the HQ tries to copy and paste its own model to subsidiaries.

5.2. Theoretical contributions

Interviews have shown HQ-S. relationships are good but control over subsidiaries is strong. Sometimes, managers from the headquarters have the feeling not to be completely free. If they can take decisions on minor topics, this is not the case for more strategic topics. The headquarters usually has the last word, that can be frustrating for subsidiaries. HQs are likely to centralize decisions, increase procedures and as Cantwell and Mudambi notice, they tend to exert a right of veto about important decisions (2005). It is important to note that the word

“cooperation” has been said once. The three companies try to decentralize decisions and give freedom to subsidiaries but reality is different. The concept of agency theory seems still valid. When there is a divergence of interest, the headquarters usually takes decisions but if subsidiaries do not share these decisions, it may be complicated for the principal to verify what the agent does (Fama, 1980). This situation may create tensions. To avoid disorder, the headquarters uses different tool of control. First, interviews have underlined the use of expatriation. For instance, interviews realized in the Company A showed that the longer managers spend abroad, the more they adopt “the corporate parent’s norms and value systems” (Harzing, 2001). If the word “control” has never been associated to the word “expatriation”, respondents agreed to say that it helps for coordination between headquarters and subsidiaries. Furthermore, the use of templates, considered as a kind of output control, is used by the Company A which aims at regulating “organizational activities to ensure their performance to established expectations” (Genturck & Aulakh, 1995). For example, Marketing managers must fill out the same templates, whatever the country, when they launch a new product; then, templates are submitted to the headquarters for validation.

Concerning distance, different definitions were proposed in the literature review: “difference”, “unfamiliarity” and “dissimilarity”. The six respondents unanimously pronounced the word “difference” for naming distance. It is comprehensible that cultural distance is the most studied dimension of distance in the literature (Angué & Mayrhofer, 2010). Everybody is concerned by this dimension and the respondents gave many examples of their personal experience. In the words of Hall, the “tip of the iceberg” is the most visible part (1976). Hence, attributes related to the visible part, such as languages, were described well by respondents. The interviewee 2 was the only one who spoke about power respect and uncertainty avoidance, terms described by Hofstede (1991). Culture is a complicated notion and respondents agree to say that this is a mix between national and individual culture. It was hard to distinguish the two parts.

5.3. Managerial implications

In this paper, the findings present different managerial implications which may be interesting to note for MNCs. First and foremost, distance is a reality which seems already taken in consideration by MNCs. It has been suggested that companies continue to use tools for dealing with distance, such as phone meetings and Skype, and develop new ones. Managers feel

distance differently, due to the culture of their origin country and their personal experience. Trainings abroad and meetings with foreign colleagues are a means to bring managers closer. Respondents also insist on the importance of a corporate culture which helps to create a cohesion within the MNC. Cohesion may lead to cooperation.

The second managerial implication is that elements of control are usually efficient. Whether with expatriation or templates, the headquarters has the means to keep an eye on its subsidiaries. However, most of managers often have the feeling to be stuck. In other words, their opinions are asked but are not taken into account for strategic topics and in a crisis situation. Therefore, decision power of subsidiaries seems limited. This situation may create frustration or even worst, resignation.

To summarize this part, the main challenge of MNCs is to create cooperation between the headquarters and its subsidiaries by gathering them around common interests. Gaps can be created between headquarters and subsidiaries when divergences are too important. Plus, if cultural, administrative, geographical and economic distance is not handled well, the situation may be complicated. In particular, as suggested by the respondent 4, multiculturalism is a strength. In the current word, MNCs should encourage the hiring of foreign managers.

5.4. Limitations and further suggestions

The objective of this final part is to stress possible limitations of this study and to give reflections for further researches. Previous studies have shown that the choice of a sector could be a bias and could influence results, that is why it has been chosen to focus on a particular sector: the sector of mass consumption. It could be interesting to study other MNCs from different sectors and evaluate the importance of sector. Furthermore, one German, one French and one Swiss companies have been studied. It could be interesting to extend the study to other European countries. Regarding results, the nationality of the company plays a role in the way how subsidiaries and headquarters work together. Studying other situations could lead to new conclusions. Finally, interviewees have been tried to be representative of the population, in terms of ages and job situations for instance. However, it was relatively difficult for respondents to answer questions relative to economy and administration. They do not have always the sufficient knowledges to give answers. Therefore, directors of headquarters and subsidiaries

should be interviewed, that is not easy due to the fact that most of European multinational companies working in the mass consumption are relatively difficult to access.

Additionally, the theoretical part bases on recent theories and the empirical part uses interviews realized in 2016. In the introduction part, it was specified how fast the globalization goes and multinational companies change. The context may have an impact on results and the same study realized some years later could have different answers.

In conclusion, this study was an attempt to provide a picture of relationships between headquarters and subsidiaries and an evaluation of distance impact on those relationships. This picture has been depicted at a certain moment and can evolve in the time.

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APPENDIX 1. Interview guide

INTERVIEW GUIDE

Information about the interviewee

- Name :
- Age :
- Current job location :
- Job status :
- Worker in the company since:

Informations about the company

- Name of the company :
- Sector of activity :
- Headquarters location :
- Number of subsidiaries :

Preliminary questions :

- Links with the headquarters:
 - Type of contact:

phone mails travels others:

- How often do you have contact with the headquarters:

daily weekly monthly once a year

Relations between the headquarter and its subsidiaries

- How could you define relationships you have with the headquarters/subsidiaries?
(several answers are allowed)

excellent good based on the cooperation medium
difficult conflictual other adjective:

- According to you, which are the main factors that explain those relationships?

- Do you think that the headquarters trust in its subsidiaries?

- Is the control exercised by the headquarter over its subsidiaries:

strong medium weak

- How does it manifest itself?
- Which are the main factors that explain this degree of control?

- Are you free to take your own initiatives? If yes, do you need the approval of the headquarters?

Cultural, Administrative, Geographical and Economic dimensions

Culture

- Are there cultural differences between employees of the headquarter and those of the subsidiaries?
 - If yes, which ones?
 - *(In the case where the interviewee has worked several years in the same company)* Have the differences evolved in the time? (the differences are not the same anymore, minor differences are now major differences)
- Have those differences/ Have the differences had an impact on the relationships between the headquarter and subsidiaries?
- Do you have the feeling to belong to a local company or to a global company?
- Is there a strong company culture company? If yes, how does it manifest?

Administration

- Do the administrative/politics factors (example : currency, politics system, history...) influence the relationships headquarter-subsidiaries from a certain manner ?
- Do you think that the headquarter needs to take into consideration other actors: local government in the countries where the subsidiaries are, local companies...?

Geographic

- Do you think the geographical distance is a brake to relationships between the headquarter and the subsidiaries?
 - If yes, which tools do you use in order to reduce the distance?
- Because of this distance, are the messages/orders more difficult to transmit?
- If yes, which tools do you use in order to transmit them?

Economic

- If they exist, which are the main economic differences between the headquarter's country and the subsidiaries' countries?
 - Do have the differences an impact on the relationships between the headquarter and the subsidiaries?

APPENDIX 2. Summary of empirical findings.

DISTANCE : a reality			RELATIONSHIPS	
Issues related to different types of distance	Impact on business	Tools to deal with these issues	Impact on relationships	
<u>Cultural distance</u> -languages differences -attitude towards work: pro-active vs passive -attitude towards change -attitude in business: aggressive vs pacific -fast vs slow in taking decisions -trust vs distrust	-fear of speaking a foreign language -misunderstanding/incomprehension -time to understand “local” codes -slowness in taking decisions	-globalization: one is more used to work with people from different nationalities -openness through travels -multi-nationality -templates: force managers to express with the same way -corporate culture creates cohesion within teams because they adhere to same values	Culture differences are considered rather as a strength : they usually enable to provide different ways of thinking. However, they may conduct to misunderstandings. To avoid them, companies use templates, expatriation and corporate culture. They are viewed as forms of control by the managers.	
<u>Administrative distance</u> -country rules prevail over company rules	-incapacity of doing business in the country	-adaptation to local rules	It does not have an impact on relationships because subsidiaries which are established abroad already know the rules	
<u>Geographic distance</u> -not to see physically people	-difficulty to explain something when one is not in the country -HQ people physically far from local issues -not good relationships between managers because they do not meet each other -different time zones -long time to take a decision	-use of mails, phone calls, video conference	Geographic impact is minimal. Thanks to the new technological tools, physical distance does not seem a real problem, even if tensions can be arisen due to incomprehension.	
<u>Economic distance</u> -differences in currencies and wages	-need of approval of the host country: how to share profits for instance	-adaptation to local rules	No impact if subsidiaries know the rules	

